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**NAVAL  
POSTGRADUATE  
SCHOOL**

**MONTEREY, CALIFORNIA**

**THESIS**

**ASSESSING THE POTENTIAL FOR INTERSTATE  
CONFLICT BETWEEN CHILE AND PERU: A POLITICAL  
ECONOMY APPROACH**

by

Eric D. Trismen

March 2009

Thesis Advisor:  
Co-Advisor:

Jeanne Giraldo  
Harold Trinkunas

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**ASSESSING THE POTENTIAL FOR INTERSTATE CONFLICT BETWEEN  
CHILE AND PERU: A POLITICAL ECONOMY APPROACH**

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Major, United States Air Force  
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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES  
(WESTERN HEMISPHERE)**

from the

**NAVAL POSTGRADUATE SCHOOL  
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## **ABSTRACT**

This thesis argues liberal theories of peace fail to explain the relationship that exists between Chile and Peru. Democratic and Economic Integration theories posit that democratization and economic integration foster cooperation. Yet, these do not accurately reflect the current state of relations. I posit such an explanation must take into account the preferences of actors, and their ability to act on those preferences. I focus on the executive, the military and the legislature. I apply this framework to aspects of Chile-Peru relations from 1968 to today. I find that balance of power best defines the period 1968 to 1980. Yet, competition is tempered by balance of identity and the nontraditional use of confidence building measures. The period 1980 to 2000 is characterized as an era of peaceful relations. Under various stages of democratization, executives are increasingly able to act on their preferences. Subordination of the military allows them freedom to pursue cooperative measures to help legitimize their administrations. Their ability to foster cooperation even reaches to nondemocratic neighbors. Since 2000, bilateral relations have deteriorated despite attempts by executives to strengthen cooperation. This is largely due to constraints placed on Peruvian executives because of domestic politics.

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## I. INTRODUCTION

### A. MAJOR RESEARCH QUESTION

In his examination of the history of interstate conflict in the Western hemisphere, Jorge Domínguez remarked that “Latin Americans for the most part do not fear aggression.”<sup>1</sup> Yet, if recent developments in the region dictate, such sentiment may soon change. Consider, for example, the 1995 Cenepa war fought between Peru and Ecuador. Tensions over disputed borders between the two states continued to fester in the decades following a similar conflict waged in the early 1940s. Larry Rohter noted at the time that the intensely patriotic and nationalistic conflict, though short in duration, “was sufficient to send a wave of alarm and resentment throughout Latin America.”<sup>2</sup> Indeed, that conflict continues to be a stark reminder to more than a dozen other countries in the region which are also parties to boundary grievances which could explode at any time.<sup>3</sup>

More recently, Colombia’s military operation to eliminate FARC encampments within Ecuador’s borders escalated tensions with Venezuela and heightened concerns for regional stability. Venezuelan President Hugo Chavez responded to the Colombian campaign by ordering the deployment of ten army battalions to Venezuela’s border with Colombia.<sup>4</sup> Analysts note that the willingness to engage in such brinkmanship continues to underscore the vulnerability of the region to rapid political deterioration.<sup>5</sup>

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<sup>1</sup> Jorge Domínguez, et al., “Boundary Disputes in Latin America,” *United States Institute of Peace, Peacework* 50 (2003): 13.

<sup>2</sup> Larry Rohter, “The World; Bad Fences Make Bad Neighbors,” *New York Times*, February 5, 1995.

<sup>3</sup> Ibid.

<sup>4</sup> “Latin America: Andean Tensions Fan Instability Fears,” *OxResearch*, March 6, 2008.

<sup>5</sup> Ibid.

Thus, given a historically tense relationship between Chile and Peru, largely based upon the contestation of boundary issues dating to the War of the Pacific (1879-1883), it is important to explore how their dynamic relationship will affect regional stability in the future. I will do this by nuancing several prominent theories of peace and cooperation within a traditional political-economy framework.

## B. IMPORTANCE

As explained by Samuel Huntington, much of the globe witnessed an unprecedented trend toward democratization between 1974 and the beginning of the new millennium.<sup>6</sup> During this period, Latin America was no exception. In fact, by 1991, Haiti and Cuba were the only non-democratic regimes in the entire region.

An equally remarkable trend also occurred in the economic sphere. From the 1970s through the 1990s, many Latin American states experienced rapid, yet sweeping transformations to capitalist driven, neo-liberal economies. The economic debt crisis of 1982 was, as Michael Reid argues, was “the most serious international financial crisis since 1929.”<sup>7</sup> Nations suffered from high oil prices, sluggish growth, inflation, an increase in interest rates and decreases in non-oil commodity prices.<sup>8</sup> The inward oriented economy of Import Substitution Industrialization (ISI) had failed. Broad economic liberalization measures (often referred to as the “Washington Consensus”) led to slashed government spending, reduced trade-barriers, and the stabilization of many of the struggling economies. This generally overlapping phenomenon of increased democratization and economic liberalization is often referred to as Latin America’s “dual transition.”

Also throughout the 1990s and early 2000s, much of Latin America experienced a significant increase in security cooperation. This was particularly the case in the Southern Cone, where once tense interstate relations were replaced by an era of

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<sup>6</sup> Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, The Julian J. Rothbaum distinguished lecture series, v. 4 (Norman: University of Oklahoma Press, 2001), 2.

<sup>7</sup> Michael Reid, *Forgotten Continent: The Battle for Latin America’s Soul* (Lancaster: Yale University Press, 2007), 132.

<sup>8</sup> Ibid., 132-133.

cooperation and confidence building measures (CBMs). Numerous border disputes were resolved, including a century old conflict between Chile and Argentina over the Beagle Channel Islands—a dispute which nearly led to military confrontation in 1978. In fact, as a result of negotiations begun in 1990 after Chile’s return to democracy, all twenty four bilateral boundary and territorial disputes between the two nations were eventually settled.<sup>9</sup> And the development of Argentine-Chilean cooperation was not an isolated phenomenon, but rather part of a broader trend.<sup>10</sup> For instance, the 1990s also witnessed increased security cooperation and CBMs between Argentina and Brazil. In 1990, both presidents signed an international agreement renouncing the development of nuclear weapons. The agreement also paved the way for numerous institutional mechanisms to ensure joint compliance with the anti-nuclear accords eventually enacted.<sup>11</sup> Cooperation in this area spilled over into other dimensions of interstate relations; as Sotomayor notes, “the treaties that eliminated a nuclear arms race in South America in the 1990s heralded a new atmosphere of international cooperation among two developing states.”<sup>12</sup> Similarly, there was an upsurge in confidence-building measures in Central America as a product of the resolution of civil wars in the region. This process was reinforced throughout the decade, as the region hosted an OAS conference on CBMs, and Central American militaries worked together in regional institutions.

Although there have been significant advances in the Southern Cone and Central America, Andean nations have not realized similar progress on confidence-building measures. As Bromley and Perdomo note, “existing agreements are not being implemented in an effective manner and opportunities to develop new mechanisms have not been pursued.”<sup>13</sup> In particular, despite the predictions of democratic peace and

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<sup>9</sup> Domínguez, et al., “Boundary Disputes in Latin America,” *United States Institute of Peace, Peacework*, 31.

<sup>10</sup> Randall R. Parish, “Democrats, Dictators, and Cooperation: The Transformation of Argentine-Chilean Relations,” *Latin American Politics and Society* 48 (Spring 2006): 167.

<sup>11</sup> Arturo C. Sotomayor Velázquez, “Civil-Military Affairs and Security Institutions in the Southern Cone: The Sources of Argentine-Brazilian Nuclear Cooperation,” *Latin American Politics and Society* 46 (Winter 2004): 29-30.

<sup>12</sup> Ibid.

<sup>13</sup> Mark Bromley and Catalina Perdomo, “CBMS in Latin America and the Effect of Arms Acquisitions by Venezuela,” (working paper for the Real Instituto Elcano) (September 22, 2005): 4.

capitalist peace theories, Peru and Chile have experienced increasing areas of conflict even as democracy has deepened its roots and economic integration has developed. For example, a maritime boundary border dispute that Chile considers long sense resolved has recently been submitted to the International Court of Justice (ICJ) by Peru for arbitration, while both countries continue to engage in military modernization programs that some fear is part of a larger regional arms race. “Latin America remains a region where one country’s arms acquisitions can have a potentially destabilizing impact on regional security,” Bromley and Perdomo posit,<sup>14</sup> while John Vazquez and Marie Henehan (quoted in Domínguez) argue that “territorial disputes increased the probability of war and have a higher probability of [leading states] to war than other kinds of disputes.”<sup>15</sup>

Thus, potential for conflict between Chile and Peru remains high. At the same time, both the failure to resolve long standing territorial issues and the inability to implement confidence building measures could adversely affect regional security and stability, even if a militarized interstate violence does not occur. In short, it is important to examine and attempt to understand the likelihood of interstate tensions between Chile and Peru even if they do not result in an armed violence.

### C. PROBLEMS AND HYPOTHESES

Several traditional theories have been advanced to understand the aforementioned unprecedented warming of relations demonstrated within the Southern Cone. In particular, democratic peace and economic integration theories attributed the changes, respectively, to the transitions to democracy and free markets. However, as I will soon illustrate, neither theory can fully account for, or especially guarantee, security cooperation in the region.

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<sup>14</sup> Bromley and Perdomo, “CBMS in Latin America and the Effect of Arms Acquisitions by Venezuela,” 5.

<sup>15</sup> Domínguez, et al., “Boundary Disputes in Latin America,” *United States Institute of Peace, Peacework*, 14.

Moreover, the literature suffers from selection bias: it has focused overwhelmingly on cases where increased cooperation has occurred (the Southern Cone and, to a lesser extent, Central America) but has failed to study regions, such as the Andes, which has notably lagged behind in the development of confidence building measures and resolution of border disputes, despite a shared experience of democratization and economic integration. The war between Ecuador and Peru in 1995, as I detailed earlier, was in fact a war between two democracies. Moreover, the recent troop posturing of Venezuela against Colombia, which I also addressed earlier, occurred despite large amounts of bi-lateral trade between the involved states. Bilateral trade between Colombia and Venezuela, for example, was approximately four billion dollars in 2006 and as much as five or six billion dollars in 2007.<sup>16</sup> Such incidents, therefore, easily call into question the applicability of democratic peace or economic integration based approaches to peace.

This thesis sets out to rectify these shortcomings. It subsumes the insights of the democratic peace and economic integration literature into a more comprehensive political economy framework for understanding the preferences of key actors with regard to security cooperation and their ability to act on these preferences. It then applies the framework to the current situation in Peru and Chile in order to understand the potential for, and likely implications of, interstate conflict between the two nations.

#### **D. LITERATURE REVIEW**

“The appeal of different schools of thought in international relations tends to vary with developments in the real world,” notes Richard Betts. “Perhaps because the twentieth century was one of unprecedented catastrophe, the dominant tradition has been what is colloquially as ‘power politics.’”<sup>17</sup> According to such thought, states are driven to seek power in an environment void of mechanisms to settle disputes or enforce judgments—this can, and does often lead to war. As Betts summarizes succinctly,

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<sup>16</sup> Humberto Márquez, “Colombia-Venezuela: Possibly the Bitterest Conflict in a Century,” *Inter Press Service News Agency*, November 26, 2007.

<sup>17</sup> Richard Betts, ed., *Conflict after the Cold War: Arguments on Causes of War and Peace* (New York: Longman, 2007), 53.

“States have no one but themselves to rely on for protection, or to obtain what they believe they are entitled to by right.”<sup>18</sup> Based on this theoretical approach, we would expect security concerns between Chile and Peru to dominate the bilateral agenda, especially since Chilean defense spending exceeds that of Peru. For example, some authors argue that Chile is instigating a regional arms race. COHA analyst Alex Sanchez posits that Chile’s recent arms procurements “have led to expressions of alarm in neighboring Argentina, Peru and Bolivia.”<sup>19</sup> These concerns are real, and a central concern of the thesis is assessing the importance of the military balance of power and realist concerns in driving Peruvian-Chilean interstate relations.

Interestingly, though, most of the recent literature on interstate relations in Latin America has largely eschewed a realist analysis and has focused instead on liberal institutionalist arguments, such as democratic peace theory and capitalist peace theory. This is strongly driven, as Betts notes, by developments in the real world: scholarly interest in the dramatically improved interstate relations in Central America and Southern Cone has led to an emphasis on theories that account for this, while downplaying the importance of military balance of power. In so doing, Latin American analysts have drawn on a growing set of liberal institutionalist arguments articulated in the broader international relations literature.

Democratic peace theory, Sebastian Rosato argues, “is probably the most powerful liberal contribution to the debate on the causes of war and peace.”<sup>20</sup> Tracing its origins to the likes of Immanuel Kant’s “Perpetual Peace,” the argument provides simply that democracies never, or at least rarely, go to war with one another. As Michael Doyle writes, “When the citizens who bear the burdens of war elect their governments, wars

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<sup>18</sup> Betts, ed., *Conflict after the Cold War: Arguments on Causes of War and Peace*, 54.

<sup>19</sup> “Chile’s Aggressive Military Arm Purchases are Ruffling the Region, Alarming in Particular Bolivia, Peru and Argentina,” Council on Hemispheric Affairs Webpage, <http://www.coha.org/2007/08/chile%e2%80%99s-aggressive-military-arm-purchases-is-ruffling-the-region-alarming-in-particular-bolivia-peru-and-argentina> (accessed August 7, 2008).

<sup>20</sup> Sebastian Rosato, “The Flawed Logic of Democratic Peace Theory,” *The American Political Science Review* 97 (November 2003): 585.

become impossible.”<sup>21</sup> This argument does not maintain that democracies never go to war, but rather democracies have created a “separate peace.” In other words, peaceful restraint only applies in a democratic state’s relations with another democracy,<sup>22</sup> while “liberal republics see themselves as threatened by aggression from nonrepublics that are not constrained by representation.”<sup>23</sup> Thomas Risse shares a similar view. He argues that democracies do not fight each other “because they perceive each other as predisposed toward peacefulness then act on this assumption.”<sup>24</sup> They perceive each other as peaceful, he contends, because of the democratic norms which govern their decision making processes. “These norms constitute their collective identity in international relations,” Risse continues. “They externalize them when dealing with each other, thus reinforcing the presumption of peacefulness.”<sup>25</sup>

Sebastian Rosato, however, is one of many to question the claims of democratic peace theory. He concluded, “liberal democracies do not reliably externalize their domestic norms of conflict resolution and do not treat one another with trust and respect when their interests clash.”<sup>26</sup> Moreover, he argues that democratic leaders “...are not especially accountable to peace loving publics...”<sup>27</sup> Rosato goes on to posit that an “imperial peace” based on American power is one significant reason for peaceful relations.<sup>28</sup> Thus, while there may be peace among some democratic nations, it may not entirely be due to democratic institutions.

Edward Mansfield and Jack Snyder support the idea of a democratic peace for established democracies, but argue, however, that “the specter of war” looms large for

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<sup>21</sup> Michael W. Doyle, “Liberalism and World Politics,” *The American Political Science Review* 80 (December 1986): 1151.

<sup>22</sup> Ibid., 1156.

<sup>23</sup> Ibid., 1162.

<sup>24</sup> Thomas Risse, “Democratic Peace-Warlike Democracies?: A Social Constructivist Interpretation of the Liberal Argument,” *European Journal of International Relations* 1 (1995): 36.

<sup>25</sup> Ibid.

<sup>26</sup> Rosato, “The Flawed Logic of Democratic Peace Theory,” 599.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

democratizing states with weak democratic institutions.<sup>29</sup> For instance, they cite the 1995 conflict between Peru and Ecuador, two democracies, as a prime example.<sup>30</sup> Under such conditions (of weak institutions), “elites commonly employ nationalist rhetoric to mobilize mass support but then become drawn into the belligerent foreign policies unleashed by this process.”<sup>31</sup>

The problem with the widely-cited Mansfield and Snyder argument is that it cannot explain why some democratizing states with weak democratic institutions have not only *not* engaged in nationalist rhetoric and bellicose foreign policies but have moved to the opposite end of the spectrum, revolutionizing their foreign policies in a peaceful direction. This is the case, for example, of Argentina and Chile in the 1980s and 1990s and Argentina and Brazil in the late 1980s, when century-old border disputes were resolved and tense rivalries were turned into fruitful partnerships. Clearly, other variables are needed to understand the incentives facing political actors in democratizing states with weak institutions.

In many Latin American cases, newly democratic but weak civilian governments concerned with political survival did not engage in nationalist rhetoric to mobilize support; instead, they tried to gain civilian control over the powerful militaries that threaten their political survival. (This strategy had the added benefit of being politically popular in newly democratizing countries transiting away from abusive military regimes.) As Arturo Sotomayor argues, Argentina and Brazil in the late 1980s feared a credible threat of military regime change. As a result, both executives sought to contain their unchecked militaries, prevent further insubordination and retain civilian control.<sup>32</sup> To accomplish their goals, Sotomayor argues, the presidents entered into a strategic alliance. By recognizing each other as allies and not enemies, “the civilian leaders could reduce the possibility that the armed forces would use the external environment as a justification

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<sup>29</sup> Edward Mansfield and Jack Snyder, “Democratic Transitions, Institutional Strength, and War,” *International Organization* 56 (Spring 2002): 298.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid., 298.

<sup>32</sup> Sotomayor, “Civil-Military Affairs and Security Institutions in the Southern Cone: The Sources of Argentine-Brazilian Nuclear Cooperation,” 43.

for their presence in the decision making process.”<sup>33</sup> The executives relied on a strategy of “omnibalancing” which posits that in order to achieve certain goals, leaders must sometimes align themselves with adversaries.<sup>34</sup> Thus, in Latin America—where military intervention in politics has been commonplace—the nature of civil-military relations is likely to be decisive in shaping executive preferences with respect to security cooperation.

Another theory which has intended to explain peace and cooperation is based on economic integration among states. The “capitalist peace” theory, as it has been dubbed, is not new. It traces its origins to the likes of Montesquieu and Adam Smith. However, in the contemporary age of globalization, economic integration peace theories have gained in momentum. In the past, victory in war meant new property (and new resources, one can infer). However, in a free market economy, “war destroys immense wealth for victor and loser alike.”<sup>35</sup> Moreover, even if the capital stock is restored after war, efficient production would be difficult to coordinate to the victor’s advantage. For example, it has been pointed out that Iraq’s immense oil wealth will never be a money maker for the United States.<sup>36</sup> Patrick McDonald also advocates the merits of economic cooperation. He argues: “...trade makes war less likely by increasing the costs of severing ...economic links. Interdependence makes conflict less likely because of its efficiency over conquest in acquiring resources necessary for growth and prosperity.”<sup>37</sup>

However, economic integration, like democracy, does not automatically lead to increased cooperation and decreased likelihood of conflict.<sup>38</sup> Instead, the effects are mediated by the views and preferences of political actors. Domínguez, for instance, argues that increased security cooperation and a decrease in the likelihood of conflict

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<sup>33</sup> Sotomayor, “Civil-Military Affairs and Security Institutions in the Southern Cone: The Sources of Argentine-Brazilian Nuclear Cooperation,” 44.

<sup>34</sup> Ibid., 42.

<sup>35</sup> Erik Gartzke, “Future Depends on Capitalizing on Capitalist Peace,” *Windsor Star*, October 1, 2005.

<sup>36</sup> Ibid.

<sup>37</sup> Patrick J. McDonald, “Peace Through Trade or Free Trade?,” *The Journal of Conflict Resolution* 48 (August 2004): 547.

<sup>38</sup> Domínguez, et al., “Boundary Disputes in Latin America,” 34.

only occur where leaders have articulated a “grand strategy” in which interstate cooperation is linked to economic prosperity. “Where development becomes the key concern of domestic elites”, Domínguez argues, “territorial and boundary dispute settlement is likely to follow as a by-product provided thinking about development is directly linked to thinking about peace.”<sup>39</sup> However, “Where sovereignty, boundary, and territorial concerns are accorded higher priority than developmental objectives, conflict at the border will linger and perhaps worsen.”<sup>40</sup>

Thus, the preferences of executive actors (and not merely the existence of democratic or capitalist institutions) are a fundamental factor shaping the likelihood of increased security cooperation between states. This, however, says little about whether they will be able to act on their preferences.

Randal Parish argues, for example, that bilateral cooperation is most effective “when executives have the capacity to implement their preferences.”<sup>41</sup> Parish borrows from Mainwaring and Shugart in positing that constitutional power, partisan power and political capital all work to increase a president’s capacity to act.<sup>42</sup> More importantly, though, Parish suggests the executive’s ability to act is also strongly influenced by his relationship with the legislature and political parties, as well as the military.<sup>43</sup> Chile and Argentina, he contends, have been able to put past differences aside because of a pattern of strong executive leadership. “Argentina’s post-1983 democracy, Pinochet’s dictatorship, and the post-1990 Chilean democracy each possessed strong presidencies,” he notes.<sup>44</sup> Peru, however, represents “a different extreme on the institutional spectrum.” At the same time as Chile and Argentina were witnessing increased cooperation,

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<sup>39</sup> Domínguez, et al., “Boundary Disputes in Latin America.”

<sup>40</sup> Ibid.

<sup>41</sup> Parish, “Democrats, Dictators, and Cooperation: The Transformation of Argentine-Chilean Relations,” 148.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid., 168.

<sup>44</sup> Ibid., 154.

“constitutionally weak executives in the Andean nations were struggling unsuccessfully to sustain cooperative initiatives...” As a result, Peru and Ecuador engaged “in the deadliest cross-border war in South America in a half-century.”<sup>45</sup>

Thus, the executive will only be able to act on his preferences if they coincide with those of the military, or if civilians have control over the military. Civil-military relations are important not only for shaping executive incentives to pursue security cooperation (as Sotomayor argues) but also as a factor affecting the executive’s ability to act on his or her preferences. Likewise, the incentives which the legislatures face (both ruling and in opposition) are also, at times, a key aspect of the president’s ability to act. For this reason, the strengths and preferences of the executive, the military and legislatures are critical components of the political-economy framework I will use in my study.

#### **E. METHODS AND SOURCES**

This thesis argues that the strengths and preferences of actors are key to understanding the dynamics of interstate relations. These dynamics can include, for example, the employment (or lack thereof) of confidence building measures, the execution of joint military exercises, the development of security accords, the positioning (or de-positioning) of troops (and hardware) along the border, the acquisition of military hardware, as well as the ability (or inability) to solve lingering border disputes.

I focus the analysis on the time period 1968 to the present. Changes in regime type during this time period and growing economic integration allow for a test of the liberal peace and capitalist peace theories.

#### **F. THESIS OVERVIEW**

The second chapter of this thesis addresses Chile-Peru interstate relations from 1968 to 1980. Arguably, during this era, there existed limited periods of democracy and scant signs of economic integration. As a result, I found the pattern of relations was best

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<sup>45</sup> Parish, “Democrats, Dictators, and Cooperation: The Transformation of Argentine-Chilean Relations,” 168.

defined by the realist's notion of balance of power. This was demonstrated by the acquisition of arms by both states, as well as each state's desire to maintain its territorial integrity. Nevertheless, competition during this period was tempered by two factors—a balance of identity and the use of confidence building measures.

The third chapter addresses interstate relations from 1980 to 2000. Overall, the two decades represented an era of peace and increased cooperation. Peace and increased cooperation occurred, however, despite the existence of mutual democratic regimes. Peru democratized in 1980, while Chile remained a military dictatorship. Conversely, when Chile democratized in 1990, Peru slipped under the authoritarianism of Alberto Fujimori. Nevertheless, the executives in each of the democratizing states possessed the necessary capacity to act on their political agendas. In both Chile and Peru, this included subordinating the military regime while also restoring international legitimacy to their governments. In so doing, the executives were able to reach across democratic boundaries and effect change in authoritarian regimes.

The fourth chapter addresses Chile-Peru relations for the period 2001 to the present. It is during this period that both governments, for the first time in my analysis, are democratic in nature. Yet the traditional theories fail again here. For despite the democratic nature of both regimes, and explicit overtures of peace emanating from the executives, interstate relations have become increasingly tense. This is best explained by the nature of the Peruvian politics. Peruvian politicians, for example, seek to increase their authority by inciting nationalist grievances. As a result, the executives have been constrained in their ability to act on their good intentions. This has led to a renewed border dispute between Chile and Peru.

The concluding chapter provides an overview of my argument and a brief outlook for the future of Chile-Peru relations.

## **II. INTERSTATE RELATIONS, 1968-1980**

### **A. INTRODUCTION**

This chapter consists of three principal sections. In the first section, I describe the historical relations, which have developed, between Chile and Peru since before independence from Spain in the early nineteenth century. For the most part, the Chile-Peru wars of the nineteenth century were fought for the control of natural resources. Their outcomes, however, helped to develop the formation of strong and lasting national identities. The resultant strong nationalistic sentiment generated by early conflict still drives foreign policy decisions today. Thus, a sound understanding of early bilateral relations is necessary to understand better my analysis of more recent developments.

The second section of this chapter looks at the developments in foreign relations between the period 1968 and 1980. This period spans the military government of Peru, which began in 1968, and leads to the eve of its return to democracy in 1980. This same time period also covers Chile's experiment with democratic socialism from 1970-1973, the oppressive military coup of 1973, and the consolidation of the dictatorship of General Augusto Pinochet from 1973 to 1980.

In looking at the development of international relations, I focus on three distinct aspects, which consistently emerge over time. For instance, I highlight the implications of military hardware purchases, as well as the mobilization and placement of troops. I find the emergence of an arms race beginning in the early 1970s under the reigns of Chile's Marxist president Salvador Allende and Peru's left-leaning military dictator, General Juan Velasco. The acquisition of sophisticated weaponry continues on both sides throughout the decade, however, despite the right-wing shifts of power via General Augusto Pinochet in Chile in 1973 and General Francisco Morales in Peru in 1975.

I also address the inability of the two states to resolve lingering border and maritime disputes, which led to increased tensions along the tri-border region of Chile, Peru and Bolivia beginning mid-decade. The Treaty of Lima mandated Peru's

involvement in Bolivian negotiations with Chile for sea access. The inability of the three states to find compromise in negotiations in 1976 nearly led to cross border aggression. By 1978, Chile had severed formal relations with both Bolivia and Peru. The arms race and inability to solve lingering border disputes occurred despite the implementation of confidence building measures (CBMs), which are intended “to reduce the risk of conflict by making capabilities obvious, by signaling intentions, and by moving back down the mutually reinforcing spiral of mistrust, secrecy, and tension.”<sup>46</sup>

The third section of this chapter provides an explanation for this pattern of interstate relations. Indeed, economic and democratic peace theories, as introduced in my introductory chapter, fall short in their ability to mitigate the potential for conflict during this era. Arguably, these theories are irrelevant, since there was little democracy and little economic integration during this time period. Not surprisingly, realist balance of power concerns seem to drive the relationship during this time period. The balance of power relationship, for instance, is manifest through the “tit-for-tat” acquisition of arms conducted by both regimes throughout the decade in order to achieve military supremacy. Moreover, Chile’s resolve to maintain its territorial integrity and its inability to resolve border disputes with its neighbors, demonstrate the importance of “power politics” during this era.

Interestingly, competition was kept in check by two key factors. First, although realist actors engaged in a clear-eyed pursuit of arms to balance one another throughout the time period, the expression of the rivalry in other realms (and hence the likelihood of conflict) was tempered by identity politics. Barletta and Trinkunas refer to this as the “Balance of Identity.” According to this theory, “[the] struggle for security centers not on the relative distribution of military capabilities among states, but on the distribution of political actors’ identities with respect to their control over states.”<sup>47</sup> In 1970, for

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<sup>46</sup> Jack Child, “Confidence-building Measures and Their Application in Central America,” in *Confidence-building Measures in Latin America*, ed. Augusto Varas, James Schear, and Lisa Owens (Washington, D.C.: Henry L. Stimson Center), 6-7.

<sup>47</sup> Michael Barletta and Harold Trinkunas, “Regime Type and Regional Security in Latin America: Toward a ‘Balance of Identity’ Theory,” in *Balance of Power: Theory and Practice in the 21<sup>st</sup> Century*, ed. T. V. Paul, James J. Wirtz and Michel Fortman (Stanford: Stanford University Press, 2004), 334.

example, Peru expressed hope for an “ideological peace” with the Marxist Allende regime. Peru’s Velasco, while very nationalist, continued to arm, but toned down his rhetoric under Allende. His rhetoric seemed to increase, however, with Pinochet in power. Moreover, between 1978 and 1980, Peru and Chile cooperated, although covertly, in the right-wing Operation Condor.

Second, realist actors engaged in confidence-building measures throughout the decade. The most significant measure, the 1976 “Agreement on Cooperation for Strengthening Peace and Friendship,” was an explicit recognition by the military governments involved that while as realists they would stubbornly defend their national interests in trilateral negotiations, they also understood the need to keep the resulting tensions from flaring up. CBMs were neither simple “window dressing” employed by realist actors to quiet the international community, nor were they the first steps down a neoliberal institutionalist path of increased trust and resolution of differences.

## B. HISTORICAL PERSPECTIVE

The relationship between Chile and Peru has been complicated by centuries of animosity and conflict. In order to understand the dynamic relationship that exists today, it is necessary to address the wars that began the conflict and the issues left unresolved by subsequent treaties.

### 1. Nineteenth Century Warfare

Chile’s problematic relationship with Peru pre-dates the end of the colonial period, a time in which Chile was administered as a sub-region of the Viceroyalty of Peru. Because a mercantilist Spain controlled the flow of goods both into and from the region via a fixed trade route, ships carrying goods from Spain sailed directly to Peru. Only after arriving in Lima did local Peruvian merchants select specific goods destined for the Chilean market. While such an arrangement benefited the Spanish crown (as well as the Peruvians), it proved less beneficial to both Chilean consumers and producers.<sup>48</sup>

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<sup>48</sup> John Rector, *The History of Chile* (Basingstoke: Palgrave Macmillan, 2005), 45.

Regional animosities intensified following mutual struggles of independence. In October 1836, the Confederation of Peru-Bolivia was established. Thus, in effect, Chile confronted a combined military and economic powerhouse to its north.<sup>49</sup> While most Chileans felt no need to engage in armed conflict, some government officials argued for a war for trade supremacy in the Pacific.<sup>50</sup> A failed Peru-led attempt to overthrow the conservative Chilean regime provided sufficient “*casus belli*” for Chilean officials who immediately dispatched navy warships.<sup>51</sup> The Chilean government, however, first tried diplomacy to defuse the situation, sending an envoy to Lima to demand the immediate dissolution of the Confederation. The proposal was ultimately rejected, and Chile’s frustrated envoy summed up the situation as follows: “The Confederation must disappear forever...We must dominate forever in the Pacific.”<sup>52</sup> Chile subsequently declared war on the Confederation and claimed victory with the destruction of Confederation forces at the Battle of Yungay in January 1839. Following its defeat, the Confederation quickly dissolved<sup>53</sup> but the basis for mutual distrust between Chileans and Peruvians remained.

Four decades later, Peru and Chile were again embroiled in war. In the early years of independence, neither country had contested its mutual border in the Atacama Desert. Nevertheless, when nitrate deposits were discovered there, the region quickly became a focal point for conflicting territorial claims.<sup>54</sup> Peru claimed a strip of desert 235 miles long, while Bolivia claimed the next 240 miles south to the twenty-fifth parallel. Chile, however, claimed overlapping territory northward as far as the twenty-third parallel. All three countries accurately viewed the desert’s resources as a potential source of important revenue in a period of financial hardship.<sup>55</sup>

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<sup>49</sup> Simon Collier and William F. Sater, *A History of Chile, 1808-2002* (Cambridge: Cambridge University Press, 2004), 64.

<sup>50</sup> Rector, *The History of Chile*, 90.

<sup>51</sup> Collier and Sater, *A History of Chile, 1808-2002*, 65.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid., 67-68.

<sup>54</sup> Peter F. Klarén, *Peru: Society and Nationhood in the Andes* (New York: Oxford University Press, 2000), 183.

<sup>55</sup> Ibid.

In 1866, the Bolivians proposed, and the Chileans accepted, an agreement to establish their mutual border at the twenty-fifth parallel. However, the agreement proved only temporary. Bolivia soon discovered an anti-Chilean “soul mate” in Peru. In February 1873 the two governments signed a secret military agreement pledging to come to each other’s aid should Chile threaten either signatory.<sup>56</sup> In 1878, Bolivian General Hilarión Daza overthrew the Bolivian government. He rejected the established border accord with Chile and promptly raised taxes on nitrate exports.<sup>57</sup> Daza was confident of his actions and fully expected the Chileans to capitulate. Moreover, if the Chileans resisted, Daza believed he could invoke the “secret” 1873 treaty with Peru. Chilean President Aníbal Pinto did not capitulate and ordered the Chilean army to seize Antofagasta as well as territory ceded to Bolivia under an earlier accord. Two weeks after Chilean forces occupied Antofagasta, Bolivia declared war.<sup>58</sup>

Indeed, the Chileans had long known about the “secret” Peruvian-Bolivian alliance. President Pinto, however, maintained hope that Peru could be persuaded to avoid conflict.<sup>59</sup> In one instance, Peruvian president Manuel Prado even offered to mediate the conflict between Chile and Bolivia. However, at the same time, Peru showed clear signs of readying their armed forces. President Pinto offered Peru economic concessions in return for neutrality, but to no avail. Pressed to answer whether it planned to honor its treaty with Bolivia, Peru responded in the affirmative. Diplomacy failed again, and as a result, Chile declared war on both Bolivia and Peru in April 1879.<sup>60</sup> Peru capitulated in October 1883, and as mandated by the Treaty of Ancón, ceded the territory of Tarapacá and agreed that Chile would govern Tacna and Arica for ten years—until a plebiscite would determine the sovereignty of the provinces.<sup>61</sup>

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<sup>56</sup> William F. Sater, *Andean Tragedy: Fighting the War of the Pacific, 1879-1884* (Lincoln: University of Nebraska Press, 2007), 18.

<sup>57</sup> Rector, *The History of Chile*, 100.

<sup>58</sup> Sater, *Andean Tragedy: Fighting the War of the Pacific, 1879-1884*, 129.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Rector, *The History of Chile*, 102.

By the end of the war, Peru lay in ruins. Economic production and income levels there had fallen significantly, the death toll was substantial, and destruction of the infrastructure was extensive.<sup>62</sup> For Chile, however, the situation was quite different. Chile's victory gave the country new territory whose rich store of resources would provide a constant source of revenue.<sup>63</sup> Indeed, as William Sater astutely surmises, “[The War of the Pacific] would dramatically alter not merely these nations’ boundaries but their collective memory as well.”<sup>64</sup>

## 2. Early Twentieth Century Settlement

The Treaty of Ancón mandated that Chile govern the occupied Peruvian provinces of Tacna and Arica for ten years until a plebiscite would determine their sovereignty. It was not until 1925—more than forty years later, however, that discussions between Chile and Peru finally materialized. “When an agreement between the two nations to hold a plebiscite in the disputed provinces...was announced,” Klarén notes, “such was the nationalist reaction [in Peru] that it provoked a general strike, a student riot, and a mob attack on the U.S. Embassy in protest against American mediation of the dispute.”<sup>65</sup> As a result of the violence, the plebiscite was indefinitely postponed. A chance meeting between diplomats in 1929, however, resulted in an unexpected final agreement known as the Treaty of Lima. Under its provisions, Chile and Peru divided the disputed provinces. Tacna was returned to Peru, while Arica was formally integrated into Chile. In addition, Chile paid Peru \$6 million and provided port facilities for Peru in the Bay of Arica.<sup>66</sup>

By 1932, a new land border had been successfully delineated to the satisfaction of both sides in the conflict.<sup>67</sup> Nevertheless, Chile’s resolution of border issues with Bolivia

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<sup>62</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 191.

<sup>63</sup> Collier and Sater, *A History of Chile, 1808-2002*, 146.

<sup>64</sup> Sater, *Andean Tragedy: Fighting the War of the Pacific, 1879-1884*, 1.

<sup>65</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 258-259.

<sup>66</sup> Ibid., 259.

<sup>67</sup> Collier and Sater, *A History of Chile, 1808-2002*, 217.

remained complicated. As mandated in the 1929 treaty, neither Chile nor Peru “could cede to a third state any of the territories over which they were granted sovereignty in the treaty without the prior agreement of the other signatory.”<sup>68</sup> Thus, when in August 1975 the Bolivian government requested a sovereign land corridor to the sea, Peru’s attention became necessary. Tripartite discussions ultimately failed, heightening the potential for conflict among the three states.

The resolution of a maritime border between Chile and Peru has also recently become complicated. In the 1950s, both Peru and Chile adopted several fishing accords, which Chilean officials claimed formally established its maritime boundary with Peru. The government of Peru, however, presently maintains that the 1950s agreements were not treaties as such, but simply “accords on fishing rights”<sup>69</sup> and that it has never officially recognized those established limits. In 2005, the Peruvian government unexpectedly published an official map claiming the expanded “fishing-rich” waters. It subsequently filed a claim in the International Court of Justice in 2008.<sup>70</sup>

In sum, the Chile-Peru wars of the nineteenth century were fought largely over natural resources. Yet their outcomes shaped the formation of strong and lasting national identities. The four-decade long delay in crafting the Treaty of Lima, and the pervasive land and maritime disputes, are evidence of the difficult intricacies of interstate relations between these two states. Indeed, such difficulties and others are manifest in more contemporary relations.

### C. A REALIST TAKE ON INTERSTATE RELATIONS: 1968-1980

Throughout the twelve-year period addressed in this chapter, several strong themes of bilateral international relations between Chile and Peru developed. Specifically, despite instances of cooperation and confidence building, military and

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<sup>68</sup> Ronald Bruce St. John, “Chile, Peru and the Treaty of 1929: The Final Settlement,” *IBRU Boundary and Security Bulletin* (2000): 92, [http://www.dur.ac.uk/resources/ibru/publications/full/bsb8-1\\_john.pdf](http://www.dur.ac.uk/resources/ibru/publications/full/bsb8-1_john.pdf) (accessed November 13, 2008).

<sup>69</sup> Collier and Sater, *A History of Chile, 1808-2002*, 217.

<sup>70</sup> “Peru Sues Chile in Boundary Feud,” *Los Angeles Times*, January 17, 2008, <http://articles.latimes.com/2008/jan/17/world/fg-peru17> (accessed November 13, 2008).

diplomatic tensions prevailed. For instance, my research illustrates an arms race conducted by both Chile and Peru in the 1970s despite the adoption of several significant peace accords designed to limit arms spending. The 1974 “Treaty of Ayacucho,” proposed by Peru and signed by Chile (among other parties) attempted to set limits of arms purchases. Yet Peru’s acquisition of arms, begun under General Velasco’s tenure in 1968 continued into the Morales regime beginning in 1975.

Moreover, land and maritime demarcation also remained a pervasive bilateral controversy throughout this period of study. Despite the implementation of formal treaties and accords, for instance, border tensions between Chile and Peru nearly led to armed conflict in the late 1970s. The 1976 “Agreement on Cooperation for Strengthening Peace and Friendship,” signed by the governments of Chile, Peru and Bolivia, had attempted to establish a mechanism whereby states could peacefully solve disputes. By 1978, however, the government of Peru broke relations with Chile in response to a spy scandal. Moreover, the centennial anniversary of the War of the Pacific in 1979 brought with it on both sides fears of nationalist reprisals. By the end of the decade, despite a decline in the arms race, both Chile and Peru had mobilized troops along the border in a show of saber rattling. The following pages expand on these and other developments of Peru-Chile relations.

## **1. Reformist Relations, 1968-1973**

Since his election in 1964, the Eduardo Frei administration in Chile had espoused an independent foreign policy stance. According to Hudson, the administration “was more collegial with the developing nations and less hostile to the Communist bloc nations” than the preceding rightist administration of Jorge Alessandri had been.<sup>71</sup> Frei restored diplomatic relations with the Soviet Union and most of its allies. Moreover, during his administration, Chile also gave strong backing to multilateral organizations, such as the Latin American Free Trade Association (LAFTA), the Andean Group, the Organization of American States (OAS), and the United Nations.

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<sup>71</sup> Rex A. Hudson, ed. *Chile: A Country Study* (Washington: GPO for the Library of Congress, 1994), <http://countrystudies.us/chile/29.htm> (accessed November 13, 2008).

At the same time, however, relations between Chile and its neighbors often proved tense. For instance, Wilhelmy argues that the Beagle Channel Islands dispute with Argentina “was of crucial importance for Chile’s international position” between 1967 and 1970. At the time, the military dictatorship in Argentina possessed both a military and economic advantage in the region and would thus be able “to retaliate more effectively than Chile in case of difficulties on the border.” Thus, for the Frei government, the settlement of the Beagle dispute was indeed a defensive goal. Wilhelmy argues that Chilean foreign policy in the final years of the Frei administration “was directed to put maximum pressure on Argentina to reach an agreement on the terms of a judicial settlement.” In late 1967, tensions were augmented when Chilean patrol boats engaged in “unauthorized maneuvers” deemed “provocative” by Argentine forces. Nevertheless, by 1970, Chile’s position with respect to Argentina had improved considerably, as “a sort of tacit agreement on [future rules of] arbitration was reached” by both governments.<sup>72</sup>

In 1968, the Peruvian military seized control of the government for the second time in six years.<sup>73</sup> The administration, headed by General Juan Velasco Alvarado, was leftist in its approach and strongly “committed to a thorough structural transformation of the country.”<sup>74</sup> With the “peaceful” overthrow of the first Belaúnde administration in October 1968, “a new era of national self-assertion, sovereignty, and independence began to shape Peruvian foreign policy.”<sup>75</sup> Almost immediately, the Revolutionary Government headed by General Juan Velasco began to expand its commercial and diplomatic relations throughout the world. For instance, Velasco’s regime became radically involved in neutrality movements such as the Organization of Non-Aligned Countries and the Group of 77. Moreover, Peru’s military regime began to disregard the traditional “East-West” rivalries, and by early 1969, had established both diplomatic and

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<sup>72</sup> Manfred Wilhelmy v. Wolff, *Chilean Foreign Policy: The Frei Government, 1964-1970* (PhD diss., Princeton University, 1973), 359-376.

<sup>73</sup> Thomas C. Wright, *Latin America in the Era of the Cuban Revolution* (Westport: Greenwood Publishing Group, 2001), 111.

<sup>74</sup> Ibid.

<sup>75</sup> Raúl Saba, *Political Development and Democracy in Peru* (Boulder: Westview Press, 1987), 111.

commercial relations with the Soviet Union, the People's Republic of China and Cuba.<sup>76</sup> This cooperation, Bruce St. John notes, also enabled Peru's military to broaden its policy of arms transfer diversification with the Soviet Union.<sup>77</sup> As a result, the acquisition of weapons from the U.S.S.R. soon "ranked Peru second only to Cuba...in the hemisphere."<sup>78</sup>

The military coup in Peru in 1968 was received "with great concern" within government circles in Chile. Wilhelmy notes:

Although relations with [Peru's] Belaúnde government had never been particularly close, its fall seemed to prejudice Chilean interests. The dispute with Argentina continued unresolved in late 1968, as did the Bolivian problem [which centered on unresolved border issues dating to the War of the Pacific]. There was a certain feeling of "encirclement" among Chilean officials as [their] only civilian-ruled neighbor became a military dictatorship.<sup>79</sup>

Soon, however, officials in Chile realized the new Velasco administration was not a "traditional" conservative military government. Wilhelmy notes, rather, that it was in fact nationalistic, populist, and anti-capitalist in nature.<sup>80</sup> Indeed, by 1970, Chilean efforts were underway to develop a common Latin American position with regards to maritime boundaries. "This time," Wilhelmy notes, "Peru was to be Chile's main partner."<sup>81</sup>

In Chile, Marxist Salvador Allende's election to the Chilean presidency in 1970 fueled an already developing discontent within the conservative Chilean military and the civilian elites.<sup>82</sup> Thus, with respect to the foreign policy decisions enacted under the Allende regime, the executive's "inclinations and interests" were grounded

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<sup>76</sup> "Soviet and Peru Set Up Diplomatic Relations," *The New York Times*, February 2, 1969, 4.

<sup>77</sup> Ronald Bruce St. John, *The Foreign Policy of Peru* (Boulder: Lynne Rienner Publishers, 1992), 199.

<sup>78</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 345.

<sup>79</sup> Wilhelmy, *Chilean Foreign Policy: The Frei Government, 1964-1970*, 389.

<sup>80</sup> Ibid., 390.

<sup>81</sup> Ibid., 421.

<sup>82</sup> Gregory Weeks, *The Military and Politics in Post Authoritarian Chile* (Tuscaloosa: University of Alabama Press, 2003), 40.

overwhelmingly on dealing with Chile's internal situations. Chile's foreign relations, Wilhelmy notes, were thus considered a second-level concern. "Although [foreign policy] was not to be neglected," he contends, "it had to follow the priorities and demands of the internal situation."<sup>83</sup>

Given the socialist nature of the regime, the foreign policy agenda, which did emerge, not surprisingly, was "increasingly independent of the United States yet increasingly dependent on other nations and international agencies as sources of credit and assistance."<sup>84</sup> For example, under Allende's Popular Unity government, relations with socialist countries increased. By 1972, Chile had established formal relations with the People's Republic of China, East Germany, North Korea and North Vietnam. Moreover, under this administration, Chile reestablished full relations with Cuba, which had been broken since 1964.<sup>85</sup> Despite the fact that the Soviet Union had become more influential during the Allende administration, however, it "was reluctant to commit...on a large scale to underwrite the Chilean Socialist regime."<sup>86</sup> Thus, when Chile elected Marxist Salvador Allende to the presidency in 1970, the Peruvian government responded with a cautious optimism. A primary reason for their caution was the concern that Allende would spur an arms race through the purchase of modern arms in an attempt to pacify Chile's right-wing military leaders.<sup>87</sup>

Peruvian fears of Chilean arms acquisitions did, in fact, come to fruition. At the same time traditional U.S. influence to the Chilean government was waning (in response to Allende's Marxist policies), U.S. military aid to the Chile's armed forces increased

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<sup>83</sup> Manfred Wilhelmy, "Politics, Bureaucracy, and Foreign Policy in Chile," in *Latin American Nations in World Politics*, ed. Heraldo Muñoz and Joseph Tulchin (Boulder: Westview Press, 1996), 67.

<sup>84</sup> Orville G. Cope, "Chile," in *Latin American Foreign Policies*, ed. Harold Davis and Larman Wilson (Baltimore: Johns Hopkins University Press, 1975), 312.

<sup>85</sup> Heraldo Muñoz, "Chile's External Relations under the Military Government," in *Military Rule in Chile*, ed. J. Samuel Valenzuela and Arturo Valenzuela (Baltimore: Johns Hopkins University Press, 1986), 306.

<sup>86</sup> Cope, "Chile," in *Latin American Foreign Policies*, 324.

<sup>87</sup> H. J. Maidenberg, "Peruvian Leaders both Pleased and Apprehensive over Leftist Trend in Chile," *New York Times*, October 23, 1970, 2.

threefold.<sup>88</sup> (In fact, military assistance was the only type of U.S. aid furnished during the Allende administration). Retention of strong ties with the U.S. military establishment, North suggests, was a policy invoked by Allende's strategists "in order to satisfy the institutional demands of the armed forces" and uphold the government. In essence, Allende saw the need to advance the prerogatives of the military in order to quell dissent and maintain internal stability.

As a result of government policy and continued U.S. aid, military spending under Allende increased to cover salary increases across the board, as well as to fund military housing construction, and more importantly, the acquisition of new military hardware. Between 1970 and 1973, Chile ordered or took delivery of some 60 M-41 Walker Bulldog Tanks from the United States. The acquisition also included various types of aircraft and Navy vessels. Moreover, during this time period, Chile's military received fifteen Hunter Fighter Ground Attack aircraft from the United Kingdom.<sup>89</sup> As can be anticipated, "this policy of building up the armed forces," North notes, "involved serious risks, since increased strength could be used to destroy the...government as well as uphold it."<sup>90</sup> Increased strength also ran the danger of escalating tensions with a historically suspicious neighbor, Peru.

However, Peru's arms stockpiles also increased during this period. The military's increased acquisition of Soviet arms during this era was a direct result of what Foreign Minister General Miguel Angel de la Flor has called "U.S. hostility to Peru's rearmament." Saba suggests the U.S. encouraged Chile's arms build-up during this period through continued financial assistance. For instance, Chile received some \$18M in U.S. military assistance between 1971 and 1972 compared with Peru's \$1.5M for the

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<sup>88</sup> Mark Falcoff, "Kissinger & Chile: The Myth That Will Not Die—Unpublished Telephone Transcripts Confirm What has Long Been Clear: The U.S. did Not Topple Salvador Allende," *Commentary* 116, no. 4 (2003): 46.

<sup>89</sup> Stockholm International Peace Research Institute Webpage, SIPRI Trade Registers, <http://www.sipri.org> (accessed November 13, 2008).

<sup>90</sup> Liisa North, "The Military in Chilean Politics," in *Armies and Politics in Latin America*, ed. Abraham Lowenthal and John Fitch (New York: Holmes & Meier, 1986), 183.

same period.<sup>91</sup> Nevertheless, despite the imbalance, SIPRI trade register data suggests the Peruvian military continued to receive more hardware from the United States during this period than from the Soviets.<sup>92</sup>

## 2. **Militaries in Power: Interstate Relations, 1973-1980**

Despite the bilateral increase in military hardware, any Peruvian hope for an ideological peace with Allende's Marxist Chile was dashed in September 1973. The violent military coup in Chile, which brought to power Augusto Pinochet "destroyed a blossoming Havana-Lima-Santiago axis," leaving the government of Peru ideologically isolated.<sup>93</sup> To add fuel to the potential fire, Chile's rightist government began to spurn fears of a Peruvian invasion, as well as a conquest of former Peruvian territory. In response, and as soon as late 1973, Peru's military had staged a large portion of its forces in the southern region, near its border with Chile, as part of a "conscientization" program—a program aimed to instill a strong sense of nationalism among all Peruvians against its traditional enemy.<sup>94</sup>

The Pinochet regime's foreign policy was dynamic and reflected the strength and preferences of the military regime. In the first years of the military regime internal consolidation was the number one priority of the Pinochet government. As Muñoz notes, foreign policy became a secondary consideration to the administration.<sup>95</sup> Moreover, whereas Chilean diplomacy since the 1950s had supported the precepts of democracy and international law, the new ruling junta did not. Muñoz argues "...the military forces imprinted on Chilean foreign policy their own technical experience and anti-Communist world view...[which] allow[ed] little room for negotiating and compromising."<sup>96</sup>

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<sup>91</sup> Saba, *Political Development and Democracy in Peru*, 117.

<sup>92</sup> SIPRI Trade Registers.

<sup>93</sup> David Belknap, "Peru Military Regime Isolated on Left by Chile Rightist Coup," *Los Angeles Times*, November 21, 1973, A1.

<sup>94</sup> David Belknap, "New Chile regime Quickens Peru Fear of Invasion, Seizure of Land," *Los Angeles Times*, December 26, 1973, 25.

<sup>95</sup> Muñoz, "Chile's External Relations under the Military Government," in *Military Rule in Chile*, 311.

<sup>96</sup> Ibid., 310.

Despite occupying a secondary status, the anti-Communist fervor of Chile's foreign policy was evidenced almost immediately. One of the first foreign policy decisions of the regime, for instance, was to—once again—sever relations with Cuba. As a result, numerous Communist or socialist nations throughout the world retaliated in-kind against the Pinochet government. By 1974, the USSR, North Korea, North Vietnam and much of Eastern Europe had broken diplomatic ties with Chile. In addition, Chile reestablished ties with South Vietnam later that year.<sup>97</sup>

In the first few years immediately following the coup, Chile's relations with the United States “were quite warm.” However, the repressive brutality of the Pinochet military machine soon led to increasing political isolation of the Chilean government. “Governments of various ideological postures, ranging from Zambia to Belgium,” Muñoz posits, “quickly suspended their relations with the Chilean regime or lowered their representations in Santiago.” Within the region, Mexico, too, severed relations with Chile in 1974, at the same time tensions were heating up with Colombia because the Chilean Foreign Minister had accused the Colombian ambassador of having close contact with “Communists and extremists.”<sup>98</sup>

During Peru's military government, first headed by General Velasco, the designation of the high command, as well as the promotions of high-level government positions were dictated by the armed forces “with absolute autonomy.” Moreover, as Obando notes, the armed forces determined how the national defense system was organized and “decided who the enemies of the country were.”<sup>99</sup> It is not surprising, therefore, that the two war scenarios, which were developed by the decision makers, centered on historical “enemies” Chile and Ecuador. Nevertheless, Obando posits, the threats were real and not just excuses for the arms acquisitions, which began to flourish under the Velasco regime.

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<sup>97</sup> Muñoz, “Chile's External Relations under the Military Government,” in *Military Rule in Chile*, 317.

<sup>98</sup> Collier and Sater, *A History of Chile, 1808-2002*, 363.

<sup>99</sup> Enrique Obando, “The Power of Peru's Armed Forces,” in *Peru in Crisis: Dictatorship or Democracy?* ed. Joseph S. Tulchin and Gary Bland (London: The Woodrow Wilson International Center for Scholars, 1994), 102-103.

Thus, it was no surprise when, by 1975, the U.S. media began to report on the emerging arms race between Chile and Peru, in development since the first years of the decade. During this time, reports show Chile sought to purchase 40 French tanks to counter Peru's purchase of hardware from the Soviets.<sup>100</sup> The SIPRI database confirms the Peruvian purchases of 250 Russian built T-55 tanks between 1974 and 1975, yet shows no record of French tanks to Chile.<sup>101</sup> However, despite U.S. congressional curbs on military sales to the region, both the U.S. and U.S.S.R. remained large suppliers of military arms throughout the period of analysis. Indeed, the SIPRI database shows U.S. deliveries of M-113A1 Armored Personnel Carriers to both Chile and Peru between 1974 and 1975.<sup>102</sup> As an example of increasing tensions, Peruvian President Velasco announced in 1974 "We are not going to wait around with our hands in our pockets while our neighbors make their purchases of equipment."<sup>103</sup>

The arms race of the mid-1970s spread also to the acquisition of advanced fighter aircraft. Though Chilean officials claimed the bulk of their military forces were stationed near Santiago to provide internal security, they were also leery of their northern neighbor. In the event of a Peruvian land invasion, Chilean officials claimed they would be grossly overmatched by Peruvian armor. According to foreign observers, the Chileans had no tactical arsenal to defend themselves.<sup>104</sup> Thus, Chile sought to purchase F-5E freedom fighters from the U.S. to counter a potential threat. Indeed, U.S. State Department personnel remarked that Chile was the only major country in Latin America without supersonic combat aircraft.<sup>105</sup> Between 1975 and 1977, Chile took delivery of 34 A-37 ground attack Dragonflies and 18 F-5E Tiger-2 fighter aircraft. During the same timeframe, however, Peru also assumed delivery of 36 A-37Bs from the United States.<sup>106</sup>

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<sup>100</sup> "U.S. Reports Arms Buildup in Chile, Peru," *Los Angeles Times*, January 17, 1974, 22.

<sup>101</sup> SIPRI Trade Registers.

<sup>102</sup> Ibid.

<sup>103</sup> "U.S. Reports Arms Buildup in Chile, Peru," A22.

<sup>104</sup> William F. Nicholson, "U.S. Sells Fighters to Chile," *The Washington Post*, October 7, 1974, A1.

<sup>105</sup> Ibid.

<sup>106</sup> SIPRI Trade Registers.

According to news reports, in 1974 alone, Peru dedicated nearly 14 percent of its national budget to acquiring arms, while Chile spent 11 percent. Both instances represented roughly three percent of GNP.<sup>107</sup> The report also noted that, since 1970, both nations had expanded the size of their armed forces. Peru increased its total from 60,000 to 65,000 personnel, while Chile's forces surged from 64,000 to 75,000.<sup>108</sup> To add fuel to the fire, the report also noted resurgent individual animosity. Peruvian military academy graduates continued to be taught “revenge against Chile,” while General Velasco told friends he wished to recover Peru’s lost territory before he died.<sup>109</sup>

Interestingly, one of the first military confidence building measures between Chile and Peru was put in place during this period. Sponsored by Peru and signed in December 1974, the “Ayacucho Declaration” is considered by many to be one of the core multilateral instruments available for fostering confidence in the region. In order to “dedicate all possible resources to economic development,” representatives from Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Peru and Venezuela jointly declared the need to “create conditions which permit effective limitation of armaments and put an end to their acquisition for offensive military purposes.”<sup>110</sup> Isaac Caro notes that between 1975 and 1976, five meetings were held. The first meeting resulted in the recommendation that the signatories encourage “measures designed to create a climate of confidence and mutual respect among the public; foster cooperation among military institutions; and exchange information on [military] topics,” while the second established a military academy exchange program among member states.<sup>111</sup> Furthermore, Caro

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<sup>107</sup> David Binder, “Arms Curbs Gain in 6 Latin Countries,” *New York Times*, June 30, 1975, 4.

<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup> “Regional Arms Control Initiatives in Latin America and the Caribbean,” U.S. Department of State Fact Sheet, June 30, 2003, <http://www.state.gov/t/pm/rls/fs/22054.htm> (accessed November 18, 2008).

<sup>111</sup> Isaac Caro, “Peaceful Cooperation and CBMs in Chile,” in *Confidence-building Measures in Latin America*, ed. Augusto Varas, James Schear, and Lisa Owens (Washington, D.C.: Henry L. Stimson Center), 47.

continues, “the experts called for the armed forces of Bolivia, Chile and Peru to cooperate in strengthening the peace through the establishment of procedures for consultations and annual meetings.”<sup>112</sup>

Indeed, the commitment to limit arms was tested throughout the decade. Military sources stressed that agreements such as the Ayacucho Declaration had “been made in the past and forgotten.” Moreover, they stressed the signatories “merely agreed not to purchase ‘offensive weapons of a sophisticated nature.’”<sup>113</sup> However, when asked about the apparent discrepancy between the increase in arms purchases and the Ayacucho negotiations, U.S. officials in 1975 insisted the signatories had made progress: “Since the Ayacucho meeting, representatives of Chile and Peru had met every month to discuss easing tensions along their 106 mile border.”<sup>114</sup>

The skeptics proved correct. Less than a year after the signing of the Declaration, Peru’s government revealed a plan to purchase “36 sophisticated Soviet jet fighter-bombers” to match the fighter aircraft recently acquired [French Mirage 50 and U.S. F-5E aircraft received between 1975-76] by Chile and Ecuador.<sup>115</sup> As one journalist noted at the time, “Not only has the Chilean purchase of U.S. fighters caused alarm in Lima, but also Ecuador’s recent purchase of 12 British Jaguar fighters suggested to some Peruvians that Chile and Ecuador were trying to hem in Peru.”<sup>116</sup> The Peruvian decision to purchase the aircraft from the Soviets came after the Pentagon delayed in approving the Peruvian Air Force’s request to purchase a number of F-5 fighter aircraft from the United States. These aircraft represented the first sale of Soviet Combat aircraft to the continent, and stirred additional regional concern with the prospect of drawing Cuban military personnel to Peru as trainers.

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<sup>112</sup> Caro, “Peaceful Cooperation and CBMs in Chile,” in *Confidence-building Measures in Latin America*, 47.

<sup>113</sup> Marvine Howe, “Agreements to Limit Weapons Have Been Signed and Ignored Before,” *The New York Times*, February 16, 1975, E4.

<sup>114</sup> Binder, “Arms Curbs Gain in 6 Latin Countries,” 4.

<sup>115</sup> James Goodsell, “Peruvian-soviet Jet Planes Deal Causes Alarm,” *Christian Science Monitor*, November 3, 1976, 7.

<sup>116</sup> Ibid.

Analysts suggested that Peru, despite fewer combat troops, would maintain a significant military edge over Chile. After all, in 1974, the U.S. Congress initiated an arms ban directed against the Chilean government in response to its violation of human rights.<sup>117</sup> The capstone to the embargo was the Carter administration’s PD-13 of 1977, which applied to all of Latin America and “required that all arms transfers be directly linked to United States security interests and tied them closely to the human rights record of recipient governments.”<sup>118</sup> In addition, PD-13 prohibited the United States from selling weapons that were more sophisticated than those already in the region. Thus, as Laurence McCabe notes, “Carter’s PD-13 essentially cut off all significant [U.S.] arms sales to the region.<sup>119</sup>

The F-5s and A-37s, which Chile acquired before the ban, were no match for Peru’s anticipated Su-22s. While American made F-4 Phantoms would have been able to counter the Su-22s, they were prohibited under the newly enacted U.S. embargo.<sup>120</sup> In addition to superior aircraft, Chileans commanders longed for better tanks and an increased number of antiaircraft guns. Collier and Sater suggest, however, that the U.S. ban “did not seriously inconvenience the regime.” Brazil, for example, “was more than prepared to supply arms to Chile.” Chile’s domestic arms industry was also beginning to boom at this time.<sup>121</sup> During the embargo, the Chilean military was also able to purchase some equipment from private arms traders. However, the weapons acquired by these means were largely unsophisticated and expensive in nature. One Chilean analyst summed up the situation: “Chile gets less for more.”<sup>122</sup>

In Peru, a protracted illness led to General Velasco’s subsequent replacement in August 1975. However, his successor—General Francisco Morales—insisted that Peru’s

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<sup>117</sup> Ron Yates, “Mineral Land Could Set Off a Peru-Chile Armed Clash,” *Chicago Tribune*, June 11, 1977, S8.

<sup>118</sup> Lawrence McCabe, “Jets for Chile: A Risk Worth Taking?” U.S. Air Force: PMI Case Studies, <http://www.au.af.mil/au/awc/awcgate/navy/pmi/chile.pdf> (accessed November 8, 2008), 155.

<sup>119</sup> Ibid.

<sup>120</sup> “Girding for a Bloody Anniversary,” *Time*, January 10, 1977.

<sup>121</sup> Collier and Sater, *A History of Chile, 1808-2002*, 363.

<sup>122</sup> “Girding for a Bloody Anniversary.”

governmental policy would remain the same. Nevertheless, Morales soon began to turn away from the radical non-aligned movement of his predecessor as he reemphasized Peru's commitment to regional diplomatic ties. With that, St John notes, Peru's relationship with the United States gradually began to improve, but its relationship with Chile became continued to be strained. For example, the matter of Peru's national defense became increasingly important to the Morales regime. In line with Morales' plan "to shift military policy back to the traditional emphasis on military preparedness and national sovereignty," the government took an ever-increasing "hard-line" position towards its traditional enemies.<sup>123</sup> This is best evidenced through Peru's involvement in sea access negotiations between the governments of Chile and Bolivia.

In late 1975, Bolivia's President Hugo Banzer requested, "a sovereign coastline at Arica together with a land corridor 50 km long by 15 km wide further south." However, because of treaty stipulations, Peru's attention to the negotiations became necessary. Chile responded to Bolivian officials with a counterproposal in December 1975, in which it offered a land-sea corridor along the border with Peru in exchange for "equivalent territorial compensation in the Bolivian altiplano." Though the Bolivian government initially favored such an agreement, it later rejected the Chilean proposal "arguing that it should not have to make territorial concessions to obtain land seized in an aggressive war."<sup>124</sup>

Having learned through "formal consultations" that the Bolivia-Chile talks concerned historically Peruvian territory, the Peruvian government, under President Morales, in 1976 prepared a counterproposal, which "effectively undercut the Chilean initiative." Peru, instead, proposed the creation of a zone of joint Bolivia-Chile-Peru sovereignty. Though the counterproposal provided Bolivia with as much territory as Chile's, St John argues it "also reintroduced the issue of Peruvian rights in the disputed zone." The Chilean government immediately rejected the proposal claiming it introduced "issues unrelated to the question at hand." The year ended with both Chile and Peru

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<sup>123</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 361-2.

<sup>124</sup> St. John, "Chile, Peru and the Treaty of 1929: The Final Settlement," 94-95.

blaming one another for the stalemate in negotiations.<sup>125</sup> Moreover, in mid-1976, the Morales regime had used the conflict to conjure up a war scare with Chile in order to deflect attention away from Peru's increasing internal political and economic woes.<sup>126</sup>

During the same period, Peru's relations were also worsening with Ecuador. For instance, in 1976 Ecuadoran diplomats demanded of Peru a renegotiation of the Rio Protocol of 1942, which ended a state of war between the two countries in 1941. Later that same year, an Ecuadoran newspaper also fueled regional tensions by reporting Morales' alleged preparations for a military offensive into northern Chile. General Morales initiated limited attempts at a peace initiative in 1977, but Ecuador's subsequent plan to acquire advance jet-fighters ended any peace overtures. Indeed, by January 1978 the militaries of Peru and Ecuador were once again engaged in armed clashes along their shared Amazon border.<sup>127</sup>

These tensions, both real and perceived, occurred despite earlier accords designed to limit such conflict. For instance, the governments of Chile, Peru and Bolivia had signed the 1976 Agreement on Cooperation for Strengthening Peace and Friendship, which expressed "the sovereign equality of states, the abstention from the threat or use of force, the territorial inviolability of States, non-intervention in internal affairs, peaceful resolution of disputes, [as well as] cooperation among states." The agreement also proposed "consultative meetings" between representatives of the Armed Forces and the exchange of information.<sup>128</sup> Moreover, as early as July 1975, the government of Peru expelled the Associated Press Bureau Chief on the grounds that she deliberately tried to damage "relations of friendship between Peru and Chile."<sup>129</sup> Such initiative captured the resolve of the Peruvian administration to deflate the increased tensions reported by the media. Finally, in 1977, the foreign ministries of Chile, Peru and Ecuador displayed an unusual degree of solidarity with respect to maritime boundaries. The 1952 tripartite

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<sup>125</sup> St. John, "Chile, Peru and the Treaty of 1929: The Final Settlement," 95.

<sup>126</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 361-2.

<sup>127</sup> St. John, *The Foreign Policy of Peru*, 203.

<sup>128</sup> Juan Emilio Cheyre Espinosa, *Medidas de Confianza Mutua: Casos de América Latina y el Mediterráneo* (Centro de Estudios e Investigaciones Militares: Santiago, 2000), 82.

<sup>129</sup> "A. P. Bureau Chief in Peru is Ordered out of Country," *New York Times*, July 24, 1975, 13.

“Declaration of Santiago” had established sovereignty and jurisdiction 200 nautical miles from shore. Yet throughout the decade, the United States often contested these limits. Thus, in August 1977, the foreign ministers of Ecuador, Peru and Chile gathered in Santiago to commemorate their successes during the twenty-fifth anniversary of the treaty’s signing.<sup>130</sup>

By late 1978, however, in anticipation of the War of the Pacific centennial, both Bolivia and Peru began a series of troop mobilizations against their borders with Chile. At the same time, Chile and Argentina, still involved in a lingering border dispute concerning the Beagle Channel Islands, “carried out extensive troop movements near their joint frontier.”<sup>131</sup> The Beagle Channel Islands crisis with Argentina had flared again in 1978, when the government of Argentina rejected the outcome of the 1971 mediation by Queen Elizabeth II. For several weeks, tensions between Santiago and Buenos Aires reached a point “where the prospect of war seemed real.” Papal mediation succeeded, however, and tensions eventually receded short of armed conflict.<sup>132</sup> While most observers agreed Chile could have defended itself against any one of its neighbors, “the nightmare in Santiago [was] that all three...could attack at once in a coordinated military campaign” and Chile would have been forced to defend itself on three fronts thousands of miles apart.<sup>133</sup>

Tensions between Chile and Peru further deteriorated that year with the discovery of a Chilean spy network directed towards Peru’s military installations. Peru expelled Chile’s ambassador and executed one of its airmen for allegedly passing secrets to the Chileans. Military sources contended that the executed Peruvian airman had sold plans for a southern air base, as well as photos of Peruvian aircraft and facilities.<sup>134</sup> Ultimately,

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<sup>130</sup> David Belknap, “Most All Agree on 200-Mile Sea Limit,” *Los Angeles Times*, August 16, 1977, E7.

<sup>131</sup> James Nelson Goodsell, “Saber Rattling Grows Loud in South America,” *Christian Science Monitor*, October 30, 1978, 15.

<sup>132</sup> Collier and Sater, *A History of Chile, 1808-2002*, 363-4.

<sup>133</sup> Charles Krause, “Chile Gets War Jitters from Land Claims of 3 Neighbors,” *The Washington Post*, September 23, 1978, C5.

<sup>134</sup> “Relations Falter for Peru, Chile,” *Chicago Tribune*, January 22, 1979, 7.

this led to the formal severance of diplomatic relations between the two states by the end of 1978.<sup>135</sup> Moreover, in 1978, Bolivia once again broke diplomatic ties with Chile over the continued inability of the three states to resolve border issues and sovereign access to the sea.

The months leading up to the War of the Pacific centennial in 1979, was riddled with headlines of impending war. However, despite the rhetoric, military observers discounted a real possibility of war between Chile and Peru citing three reasons. First, Peru could not concentrate its military forces along Chile's border, because it also was engaged in border conflicts with Ecuador to its north. The Peruvian Air Force was also finding it difficult to maintain their newly arrived Su-22 airplanes.<sup>136</sup> Indeed, by 1978, the arms race appeared to have stalled. Peru's military had not entered into any new procurement agreements since mid-1977 and Peruvian officials announced its 12 year (and \$3 billion) military modernization program "largely complete."<sup>137</sup> Moreover, Chile was hit with another more stringent U.S. weapons ban in 1979, which prohibited trade assistance. This ban made it virtually impossible for the Chileans to receive the necessary spare parts to maintain their U.S. acquired aircraft and naval vessels, let alone acquire new equipment.<sup>138</sup> Finally, Chile had been able to fortify its frontier to Peru with "pits, obstacles, mines and booby traps" to prevent a successful tank incursion.<sup>139</sup>

The February 1979 anniversary date of the War of the Pacific passed without armed conflict. Moreover, at the anniversary celebration in Santiago, General Pinochet called for friendly ties with Chile's neighbors, and he played down the possibility of future confrontations.<sup>140</sup> This was unofficially manifest through Peru's brief

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<sup>135</sup> St. John, *The Foreign Policy of Peru*, 204.

<sup>136</sup> Stephen Morrow, "Peru-Chile Border Issue Sharpens," *Christian Science Monitor*, March 31, 1977, 21.

<sup>137</sup> David Belknap, "Peru Spends Billions on Weapons Buildup; Chile, Ecuador and Creditors All Worried," *Los Angeles Times*, July 29, 1978, A9.

<sup>138</sup> Juan de Onis, "U.S. Lifts Carter's Ban on Trade Assistance for Chile," *New York Times*, February 21, 1981, 24.

<sup>139</sup> Morrow, "Peru-Chile Border Issue Sharpens," 21.

<sup>140</sup> James Goodsell, "A War 100 Years Ago still Rankles Chile's Neighbors," *Christian Science Monitor*, February 26, 1979, 13.

participation in Operation Condor, a protracted network of political oppression directed against leftists in the region during the 1970s. As expected, Pinochet's regime in Chile was an important and influential member in Condor.

Both Peru and Ecuador joined the Condor "system" in 1978. Moreover, despite Peru's severed relations with Chile over the alleged military spying incident in 1978, Joint Condor operations continued to occur in Peru as late as June 1980, when a joint Condor team was sent to Lima to capture three Peruvian "subversives." Despite the Condor mission success, however, the operation blew up in the press—just one month before Peru's transition to democracy. As a result, Dinges suggests, "Peru was deeply embarrassed by its foray into Condor cooperation." Moreover, it came with a diplomatic cost. Peru's government, for instance, felt compelled to cancel its invitation to regional dignitaries to attend the inauguration ceremonies of Peru's newly and democratically elected president later that month.<sup>141</sup>

#### **D. ANALYSIS OF INTERSTATE RELATIONS: 1968-1980**

The following section provides an explanation for the pattern of interstate relations, which developed between 1968 and 1980. The traditional theories of economic and democratic peace were ineffective in explaining the dynamics, because both were nearly non-existent. Thus, I found the bilateral relationship was, in fact, driven by a realist's perception balance of power. This was best evidenced through the ongoing acquisition of arms throughout the decade, as well as the attention afforded persistent border disputes.

Nevertheless, competition was tempered by two important factors. These include the "Balance of Identity" phenomenon, as well as the nontraditional use of confidence-building measures throughout the decade.

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<sup>141</sup> John Dinges, *The Condor Year* (New York: The New Press, 2004), 227-8.

## 1. Balance of Power

In the “dogs eat dog” world of realism, states have no one to rely on but themselves for protection. This type of behavior can be manifest through the rapid acquisition of arms (i.e., an arms race) or the taking (and defending) of territory (i.e., conquest). Trinkunas and Barletta argue that balance of power behavior was prevalent in Latin America in the nineteenth century, but harder to find since the end of the Cold War period.<sup>142</sup> Chile and Peru, however, trace the origins of their behavior to that era. Early relations were defined by Chile’s acquisition of Peruvian (and Bolivian) territory in order to improve Chile...both strategically and economically. Moreover, it seems the relative strength of both militaries has been an important area of concern, as well. Such behavior continues to be evidenced in the late 20<sup>th</sup> century, as I have shown in the previous pages. For instance, the arms race, which began in the early 1970s, is a clear example of power politics. General Velasco’s quote, for instance, sums up the situation. “We are not going to wait around with our hands in our pockets,” he proclaimed in 1974, “while our neighbors make their purchases of equipment.”<sup>143</sup>

In perfect tit-for-tat fashion, both Chile and Peru, throughout the decade, acquired more and more arms. St John posits, for instance, that between 1968 and 1977 Peru’s per capita GNP rose only 40 percent, yet per capita military expenditures increased by over 80 percent. Most of the expansion occurred between 1974 and 1977. As a result, and for the first time in more than a century, “Peru achieved military parity with Chile.”<sup>144</sup> Because of the regional challenges faced by the Pinochet administration in Argentina, Bolivia and Peru, the Chilean government also continued throughout the 1970s to invest heavily in the defense sector. For example, Chile’s military spending increased from U.S.\$177 million in 1972 to U.S.\$984 million in 1980. Moreover, the size of its armed forces more than doubled in the same period.<sup>145</sup> It was not until the late 1970s, when

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<sup>142</sup> Barletta and Trinkunas, “Regime Type and Regional Security in Latin America: Toward a ‘Balance of Identity’ Theory,” in *Balance of Power: Theory and Practice in the 21<sup>st</sup> Century*, 335.

<sup>143</sup> “U.S. Reports Arms Buildup in Chile, Peru,” A22.

<sup>144</sup> St. John, *The Foreign Policy of Peru*, 204.

<sup>145</sup> Muñoz, “Chile’s External Relations under the Military Government,” in *Military Rule in Chile*, 310.

internal political and economic forces affected Peru that its acquisition of arms began to cease. Moreover, by the late 1970s, the Pinochet regime had become politically isolated. The military became unable to acquire sophisticated arms from primary sources.

The same brand of power politics also occurred with respect to land. As I indicated earlier, Velasco instilled a sense of “revenge” in the military academy and wished to recover Peru’s lost land before he died.<sup>146</sup> On the other side of the border, Pinochet argued that Chile’s nineteenth century expansion northward was a justifiable and closed matter of *lebensraum*.<sup>147</sup> It took more than 40 years for the governments of Chile, Peru and Bolivia to reach a treaty formally ending the War of the Pacific. Since the 1929 Treaty of Lima, however, major issues still linger. Between 1968 and 1980, this was evidenced with the mandated tripartite negotiations to address Bolivia’s appeal for sovereign sea access. Chile’s resolve to maintain its territorial integrity, and thus its “power” with respect to its neighbors, resulted in the severance of relations with Bolivia in 1978.

At the same time, Chile was trying to maintain (or achieve) military superiority through spying on Peruvian military bases. When the scandal was exposed, as I have already explained, relations between the two countries were severed. These examples clearly demonstrate that “under anarchy [in the international system] states must struggle to preserve their security and independence.”<sup>148</sup> However, at the same time realist forces were in play, two additional factors kept competition in check.

## 2. Balance of Identity

While realist forces were evident behind the arms race and the resolve to maintain territorial integrity, an additional theory helps explain some of the dynamics of the interstate relations between Chile and Peru during this period—a balance of identity. The

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<sup>146</sup> Binder, “Arms Curbs Gain in 6 Latin Countries,” 4.

<sup>147</sup> Jack Child, “Inter-State Conflict in Latin America in the 1980s,” in *The Dynamics of Latin American Foreign Policies Challenges for the 1980s*, ed. Jennie K. Lincoln and Elizabeth G. Ferris (Boulder: Westview Press, 1984), 33.

<sup>148</sup> Barletta and Trinkunas, “Regime Type and Regional Security in Latin America: Toward a ‘Balance of Identity’ Theory,” in *Balance of Power: Theory and Practice in the 21<sup>st</sup> Century*, 335.

theory borrows from Barletta and Trinkunas' use of the concept. They argue, for example, that "an actor's identity is their sense of who they are and who they are not; what they stand for and what they are against."<sup>149</sup> I posit that such identity is reflected in the ideology of a regime. As such, regimes "identify other actors as adversaries or allies in terms of others' perceived identities [or ideologies]."<sup>150</sup>

With respect to Chile and Peru, this was first evidenced in 1970 when two like-minded governments worked together to develop a common Latin American position with regards to maritime boundaries.<sup>151</sup> Despite the military nature of Peru's administration, for example, both states were led by progressive reformers, with land reform as key parts of their platforms. Hopes for ideological cooperation continued with the election of Salvador Allende in Chile. As noted, the left-leaning Velasco regime in Peru held cautious optimism for his administration. For a few years, the "blossoming Havana-Lima-Santiago axis" kept tensions in check even as Allende increased defense spending in an effort to appease the military.<sup>152</sup>

Though arms acquisitions were taking place between the left-leaning Velasco and Allende regimes, the flaming rhetoric only started once Pinochet came to power. Indeed, both Velasco and Pinochet were authoritarian military regimes, but their ideologies were on opposite ends of the spectrum. For instance, while Velasco implemented a policy of social and land reform, Pinochet's regime was pursuing extensive measures of conservative economic liberalization. Such differences in political ideology provide a potential explanation for the rapid acquisition of arms.

In 1975, General Morales succeeded Velasco as military president. Morales shifted the military regime in a rightist direction and particularly sought to improve relations with Chile. Peru's eventual participation in Operation Condor, for instance, provides some indication. Indeed, the network was a tool used by right-wing

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<sup>149</sup> Barletta and Trinkunas, "Regime Type and Regional Security in Latin America: Toward a 'Balance of Identity' Theory," in *Balance of Power: Theory and Practice in the 21<sup>st</sup> Century*, 337.

<sup>150</sup> Ibid.

<sup>151</sup> Wilhelmy, *Chilean Foreign Policy: The Frei Government, 1964-1970*, 421.

<sup>152</sup> David Belknap, "Peru Military Regime Isolated on Left by Chile Rightist Coup, A1.

governments to eliminate a common “leftist” threat. Peru’s official participation with Chile, a principle and founding member, represents a significant secret alliance based on ideology.

However, despite a shared identity, flare-ups did occur. However, this was primarily because Morales was too weak to contain them. For instance, the nationalistic fervor, which surrounded the War of the Pacific anniversary in 1979, was outside the control of Morales. Moreover, the spy scandal demanded swift action on the part of Peru’s government in order to maintain peace. Morales was thus obligated to act, but within limits. By decade’s end, however, Pinochet publicly called for improved relations with Peru and an end to the potential for conflict.<sup>153</sup> Thus, even in the midst of power politics, it seems regime ideology remained an important consideration in understanding the dynamics of Peru-Chile relations.

### **3. Confidence Building Measures**

A third area, which helped to define Peru-Chile relations in the 1970s, was the use of confidence building measures. In the realm of power politics, CBMs are seemingly used as “window dressing” to appease the international community. On one hand, they are just a mask to the liberal international community, behind which they can hide their motives to increase their power, all the while touting their measures as “peace loving.”

On the other hand, however, confidence-building measures can be viewed as the first step in truly reconciling international differences between conflicting, or potentially conflicting states. While analysts of CBMs are always careful to note that CBMs by themselves cannot bring peace, the focus of the literature on cases where interstate relations have improved greatly (Southern Cone and Central America) has inadvertently contributed to a perception that CBMs are the first step on the road to peace. That clearly did not happen in Chile-Peru.

I argue that neither definition for the use of confidence building measures is relevant for Chile and Peru during this era. This use of confidence building measures,

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<sup>153</sup> Goodsell, “A War 100 Years Ago still Rankles Chile’s Neighbors.”

with respect to my discussion of balance of power and balance of ideology, demonstrates that the realist actors of the decade understood the need to defend their national interests, while at the same time preventing escalation. In essence, both states did what they needed to protect their national security, while at the same time prevented the occurrence of armed conflict.

## **E. CONCLUSION**

As I have illustrated, the relationship between Chile and Peru, as evidenced between 1968 and 1980, was complicated. The dynamics of this relationship are evidenced across a broad spectrum of regime types and regime ideologies. Moreover, during the period, historical balance of power issues continued to define the relationship between the two states. The need for power—tempered or complicated with similarities in regime ideology—delivered an environment, many times, at the brink of war. At the same time, confidence-building measures were developed and implemented between the states. However, the CBMs that were enacted met neither of the traditional definitions. CBMs were used to prevent escalation at the same time Chile and Peru sought to defend their own national interests. Though tensions did mount throughout the decade, Peru and Chile never resorted to armed conflict. Moreover, a similar ideology at the close of the decade led to tacit cooperation between the governments of Chile and Peru, despite overtly severed diplomatic relations.

In the following chapter, I continue my discussion of Peru-Chile international relations. I begin with the year 1980, a time when Peru's government transitioned to democracy and Chile's military strengthened its grip on control. Bilateral relations during this period appear to improve, as arms purchases diminish and territorial solutions are reached. By the early years of the 2000s, however, traditional animosities reemerge. That is where my discussion ends.

### **III. TRANSITIONS TO DEMOCRACY**

#### **A. INTRODUCTION**

The last chapter ended with broken diplomatic relations between Chile and Peru. This action accurately symbolized the relationship in international relations, which had developed between the two countries leading up to 1980. In the two decades that followed, however, the dynamics at work fundamentally shifted.

This chapter describes the significantly improved relations between Chile and Peru from 1980 to 2000. Relations were restored and measures of confidence were increasingly introduced. Early in the decade, the two governments established the need to address lingering issues pertaining to the 1929 Treaty of Lima. Despite some initial missteps, by 1999, both sides had approved measures putting to rest issues more than 70 years old. Indeed, during this period interstate relations between Chile and Peru seemed to be heading down the same path as relations between Argentina and Chile and Argentina and Brazil: a time when lingering border disputes were resolved and historical rivalries supplanted by a new era of economic and political partnerships.

The chapter shows that this process of rapprochement was correlated closely with transitions to democracy, first in Peru in 1980 and then in Chile in 1990. In stark contrast to theories that predict increased interstate conflict during democratization, the Peruvian and Chilean cases reveal executives in new democracies with strong incentives to reach out to their neighbors and resolve disputes as part of a broader effort to assert control over the military establishment. However, this was far from the Democratic Peace theory; democracies did not reach out to fellow democracies because of their confidence in shared norms and procedures. Indeed, the initiative for improved relations in the 1980s came from the first two presidents of the new Peruvian democracy, who made overtures to the Pinochet government in Chile, which remained brutally authoritarian. After the transition to democracy in Chile in 1990, the impetus for improved relations came from the first two presidents of the new Chilean democracy, who interacted with the increasingly authoritarian regime of President Alberto Fujimori.

The description of improved interstate relations in the next two sections and the more in-depth analysis of these changes in the third section will show how civil-military relations in the new democracies drove interstate relations. The history of Chilean-Peruvian relations from 1980-2000 also demonstrates the importance of understanding not only executive preferences but also their ability to act on these preferences: the initial agreement between Presidents Aylwin and Fujimori to resolve lingering disputes foundered in the Peruvian Congress. It would be five years before a new accord could be fashioned and Fujimori could summon support in Congress for its approval.

#### **B. IMPROVED INTERSTATE RELATIONS: 1980-1990**

The improvement in interstate relations between Chile and Peru during the 1980s owes much of its success to the democratization of Peru. Under the inaugural democratic administration of President Belaúnde, Peru began a period of normalization of both its civil-military and interstate relations. Belaúnde did not seek actively to reduce the prerogatives held by the military, though the relative role and influence of the military began to decline as officers left the executive palace for the barracks. The lack of a concerted effort to assert civilian control over the military and circumscribe its role in defining conflict scenarios led to only modest changes in interstate relations: Belaúnde, for example, restored relations with Pinochet's Chile and attempted to mediate a peace during the Falklands-Malvinas crisis. At the same time, however, he led Peru to a series of brief armed skirmishes with Ecuador. Under Alan García's administration, in contrast, efforts to assert civilian control over Peru's armed forces were intensified and matched by increased efforts to improve interstate relations. This led to further cuts in defense spending, as well as the creation of a new Ministry of Defense designed to assert civilian control. During this time, Peru also made increased overtures in the region designed to curb arms appending and resolve territorial disputes. Efforts to improve relations were positively received by a Pinochet regime, which was making a concerted effort to reduce the international isolation that had resulted from its repressive domestic policies and aggressive foreign policy of the 1970s. The following section provides more details.

## **1. Belaúnde (1980-1985): Modest Normalization of Civil-Military and Interstate Relations**

Peru was among the first of several Latin American countries to rid itself of military authoritarian rule during the third wave of democratization, in 1980. Peru's transition to democracy, however, was soon usurped by terror. In the first 180 days of President Fernando Belaúnde's new administration, the growing Maoist insurgency movement, the Shining Path, committed some 232 acts of terror within Peru. Indeed, the growing insurgency required the new administration to give primacy in addressing its internal problems. As a result of this unprecedented violence, by the end of 1982, Belaúnde was forced to suspend constitutional guarantees and declare a national state of emergency throughout much of Peru.<sup>154</sup>

Despite the increased focus on counter insurgency, however, the reemergence of democracy in Peru brought with it a period characterized by normalization—a rectification of situations appropriate to a new democracy, but with no grand vision or projects of civilian control. For example, Hunter argues that when the Peruvian military left government in 1980, they also left many military prerogatives intact.<sup>155</sup> Foremost, for instance, the administration left the defense budget and arms acquisition processes alone.<sup>156</sup> In addition, the Joint Command remained involved in state planning, while the military continued to participate on the National Defense Council (NDC).<sup>157</sup> Thus, as Obando notes, Peru's military retained significant prerogatives, especially relating to Peru's foreign policy decisions. The war scenarios traditionally related to Chile and Ecuador continued to be accepted by the Belaúnde government without significant changes from previous regimes.<sup>158</sup>

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<sup>154</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 381.

<sup>155</sup> Wendy Hunter, "Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru," *Political Science* 112, no. 3 (1997): 467.

<sup>156</sup> Obando, "The Power of Peru's Armed Forces," in *Peru in Crisis: Dictatorship or Democracy?* 108-9.

<sup>157</sup> Hunter, "Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru," 468.

<sup>158</sup> Obando, "The Power of Peru's Armed Forces," in *Peru in Crisis: Dictatorship or Democracy?* 108-9.

However, although Belaúnde did not “aggressively” seek to limit the military’s role, the exercise of these powers contracted sharply under his administration.<sup>159</sup> For example, the Belaúnde administration seldom convened the NDC. This, Hunter posits, “effectively confined military influence in politics.” Moreover, she argues, Peruvian officers themselves sought to withdraw from politics “after the divisive effects...of military rule.”<sup>160</sup> Also under Belaúnde’s watch, military expenditures significantly decreased. Between 1969 and 1979, military spending constituted 24 percent of public sector outlays. Between 1980 and 1985, however, this percentage decreased to 18.<sup>161</sup>

Externally, St John notes, “the first foreign policy issue addressed by the Belaúnde government was the border dispute with Ecuador.”<sup>162</sup> Throughout the late 1960s and 1970s, relations between Peru and Ecuador had been amicable. However, the situation began to change in the late 1970s when the two states began to diverge on several bilateral issues. The resultant disagreement led Peru and Ecuador to engage in several armed skirmishes in the early months of 1981. Though Peru emerged the victor, the terms of the cease-fire failed to provide “for a demarcation of the boundary.”<sup>163</sup> This would come to haunt the Peruvian government again in the mid-1990s.

In the early part of the decade, the Belaúnde government took a number of foreign policy decisions that undermined improved relations with Chile. For instance, in 1982, Peru’s government refused to sign the United Nations Law of the Sea Convention. Peruvian authorities argued the convention was a “hasty, unconstitutional decision that necessitated further discussion.”<sup>164</sup> That same year, Belaúnde sympathized with the government of Argentina’s position concerning the Falklands-Malvinas Islands. Peru under Belaúnde “attempted to mediate a peaceful solution to the dispute “in contrast to Pinochet’s pledge of Chilean support for Great Britain. Moreover, when the Bolivian

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<sup>159</sup> Hunter, “Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru,” 468.

<sup>160</sup> Ibid.

<sup>161</sup> Ibid.

<sup>162</sup> St. John, *The Foreign Policy of Peru*, 206-7.

<sup>163</sup> Ibid.

<sup>164</sup> Ibid.

government brought sovereign access to the sea to the forefront once again in 1983, President Belaúnde held fast to the insistence of Peruvian involvement “in any substantive negotiations” with Chile.<sup>165</sup>

Despite these foreign policy differences, however, significant actions did take place under Belaúnde’s administration, which ultimately improved overall ties with Chile. In April 1981, for example, Peru and Chile managed to restore full diplomatic relations. As noted earlier, Peru’s military government had severed formal relations with Chile in response to the military spy incident in the late 1970s. With the restoration of relations, a Peruvian communiqué announced the Peruvian government’s anticipation of a “closer” and “more effective” relationship with its estranged neighbor.<sup>166</sup> Moreover, in 1982, on the thirtieth anniversary of the Declaration of Santiago (with which the governments of Peru, Chile and Ecuador established common fishing privileges within a 200-mile offshore limit), the Peruvian Vice-Minister of Foreign Affairs, Jorge Guillermo Llosa Pautrat, paid an unprecedented visit to his Chilean counterpart, Lt Gen Sergio Covarrubias, in Santiago, during which they discussed issues pertaining to relations and cooperation between Chile and Peru. According to the press release, “they stressed the importance of regular diplomatic consultations taking place between the two countries.” In addition, they also reaffirmed the principles enshrined in the charters of the United Nations and the Organization of American States, such as the self-determination of peoples, non-intervention, the equality of states, non-use or threat of use of force, the commitment to respect treaties and other international obligations, as well as the intent to resolve disputes by peaceful means and under international law. The ministers also agreed to resolve unresolved issues dating to the 1929 Treaty of Lima (i.e., the construction of a wharf, train station and customs house in Arica), though a specific date and agenda for talks were not set.<sup>167</sup>

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<sup>165</sup> St. John, *The Foreign Policy of Peru*, 207.

<sup>166</sup> “Peru, Chile Restore Full Diplomatic Ties,” *The Washington Post*, April 11, 1981, A9.

<sup>167</sup> “Comunicado de Prensa de los Vice-Ministros de Relaciones Exteriores del Perú y Chile,” *Peruvian Press Release*, August 20, 1982, <http://www.congreso.gob.pe/comisiones/1999/exteriores/chile/prensa1.htm> (accessed November 14, 2008).

In 1981, the government of Chile announced a new and proactive foreign policy “so as to be present, if possible, in all international events, to show that Chile is a progressive country...” This rapprochement, Muñoz argues, was initially put in place with several Central American Nations.<sup>168</sup> Moreover, in 1982, the Reagan administration in the United States suspended many of the diplomatic and economic sanctions imposed against Chile by the previous Carter administration. Nevertheless, Chile’s political isolation continued. Muñoz argues that, under the Pinochet regime, prominent world leaders consistently ignored Chile. Moreover, the quality of relations Chile did manage to maintain was quite poor. He cites as examples the “unprecedented support” Bolivia was offered in 1979 in defense of its maritime access claim, and Chile’s inability to gather international support in its spat with Argentina, as evidence of Chile’s poor international relations.<sup>169</sup> And Chile’s image also suffered in other ways. Internal dissent within Chile was beginning to grow in the mid 1980s. A deep economic crisis in 1982 led to near 30 percent unemployment. Moreover, opposition forces were beginning to coalesce during this time, calling for “resistance and massive demonstrations against the [Pinochet] regime.” “That was the tone between 1983 and 1986,” Montes and Vial posit, “when the military government was under strong social and political pressure.”<sup>170</sup> As a result, the government was forced to respond with “a shrewd mixture of repression and political maneuvering....”<sup>171</sup>

## **2. García (1985-1990): A Project of Civilian Control and Good Neighbor Policies**

President Alan García assumed Peru’s presidency in July 1985. In line with his desire to assert control over the military, it is not surprising that, at the behest of his administration, the foreign ministers of Chile and Peru (as well as Ecuador) agreed in

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<sup>168</sup> Muñoz, “Chile’s External Relations under the Military Government,” in *Military Rule in Chile*, 314.

<sup>169</sup> Ibid., 309-10.

<sup>170</sup> J. Esteban Montes and Tomás Vial, “The Role of Constitution-Building Processes in Democratization,” (International IDEA Democracy-building & Conflict Management: May 2005, <http://www.idea.int/conflict/cbp/upload/CBP-Chile.pdf> (accessed November 2008), 10.

<sup>171</sup> Ibid.

November 1985 to initiate a process of consultation and negotiation. Though arms acquisitions by both parties had been comparatively low in the first part of the decade, negotiations ultimately led to a spending cap on military hardware, the building of mutual confidence, and a meeting of senior military commanders from both countries.<sup>172</sup> Similar in impetus to the Ayacucho Declaration, “Peru considered it essential to further regional disarmament so that resources spent on armaments could be directed toward development goals.”<sup>173</sup> As a result, between June 1986 and August 1992, the governments in Chile and Peru successfully exercised seven rounds of talks concerning arms limitations.<sup>174</sup> It was in this environment that García decided to cut the air force’s order of 26 Mirage jet aircraft.<sup>175</sup>

In addition to an agreement limiting arms purchases, Peru and Chile’s governments also held subsequent negotiations, which addressed the withdrawal of military forces along their border. García also made overtures to Ecuador and Bolivia, sending his foreign minister to hold high-level meeting focused on resolving long-standing border disputes. President García even “indicated to Bolivia that his government would accept Chilean cession of a strip of land to Bolivia to provide the latter with access to the sea,” which marked a significant foreign policy shift from the General Morales administration.<sup>176</sup> Moreover, the armed forces’ ability to determine who Peru’s enemies were also decreased under García. While Belaúnde had approved both the Ecuador and Chile war scenarios, García did not, removing Chile as an option.<sup>177</sup>

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<sup>172</sup> Caro, “Peaceful Cooperation and CBMs in Chile,” in *Confidence-building Measures in Latin America*.

<sup>173</sup> “Regional Arms Control Initiatives in Latin America and the Caribbean,” U.S. State Department Fact Sheet, June 30, 2003, [http://www.nti.org/e\\_research/official\\_docs/dos/DOS6302003.pdf](http://www.nti.org/e_research/official_docs/dos/DOS6302003.pdf) (accessed 14 November 2008).

<sup>174</sup> Caro, “Peaceful Cooperation and CBMs in Chile,” in *Confidence-building Measures in Latin America*.

<sup>175</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 390.

<sup>176</sup> St. John, *The Foreign Policy of Peru*, 210-2.

<sup>177</sup> Obando, “The Power of Peru’s Armed Forces,” in *Peru in Crisis: Dictatorship or Democracy?* 111-2.

Initially, “the armed forces assumed a positive attitude toward the new president.”<sup>178</sup> However, the economic crisis, which existed in Peru at the time García, came to power in 1985 proved overwhelming. As a result, a “credible fear” of military intervention pervaded the remainder of his administration. Therefore, Obando asserts, “the main objective of President García relative to the armed forces was to control them.”<sup>179</sup> Indeed, he posits that the civilian administration carried out such measures by “intervening actively” in the internal operations of the military, which led to an “even greater reduction in the power of the armed forces at the national level.”<sup>180</sup>

For instance, García made significant cuts to defense spending. Military expenditures under his watch represented only 2.4 percent of Peru’s GDP, down from 4.19 percent under Belaúnde.<sup>181</sup> In addition, the García administration significantly modified the structure of the national defense system. Against the wishes of the armed forces, a new Ministry of Defense was created that combined the existing military ministries with the Joint Chiefs of Staff and the National Secretariat of Defense. While the creation of a single Ministry of Defense “was not a bad one,” Obando argues, the problem was that García used it not to promote efficiency, but rather as an institution better suited to control the power and influence of the military. Finally, the civilian administration began to co-opt military appointments to the high command.<sup>182</sup>

The co-option of high-ranking officials coupled with the severe economic crisis almost completely eliminated the armed forces’ ability “to press for the approval of the military budget and acquisitions.” Indeed, the armed forces lacked even “the minimal tools required to accomplish its mission,” including gasoline, spare vehicle parts or even ammunition and uniforms.<sup>183</sup> Military income was also slashed, severely affecting troop

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<sup>178</sup> Klarén, *Peru: Society and Nationhood in the Andes*, 390.

<sup>179</sup> Obando, “The Power of Peru’s Armed Forces,” in *Peru in Crisis: Dictatorship or Democracy?* 110.

<sup>180</sup> Ibid.

<sup>181</sup> Hunter, “Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru,” 469.

<sup>182</sup> Obando, “The Power of Peru’s Armed Forces,” in *Peru in Crisis: Dictatorship or Democracy?* 111.

<sup>183</sup> Ibid., 111-112.

morale. This produced an increased number of early retirements, further reducing the power and influence of Peru's military institution. At the same time, García also stepped up his assault on human rights violations committed by the military in their fight against the Shining Path. In addition, while Belaúnde had offered significant autonomy for human rights violations, García did not. Over the course of his administration, he fired a president of the Joint Chiefs of Staff and several regional military chiefs for such offenses. Moreover, "judicial proceedings were begun against [other] members of the armed forces for human rights abuses."<sup>184</sup>

Within military circles, García was coming under increasing scrutiny. All of the conditions of decreased military power and influence, Obando comments, "combined to produce great dissension within the armed forces and led some officers to begin planning to overthrow the government." By the end of García's term in 1990, at least two coups were being planned against the president and the "traitors" of the military high command, in order to correct the fact that, as Obando concludes, "the armed forces [had] lost nearly all of their capacity to exert pressure on the Peruvian state during the García period."<sup>185</sup> This would change under the subsequent administrations of President Alberto Fujimori (1990-2000).

### C. RELATIONS UNDER CHILEAN DEMOCRACY: 1990-2000

Just as Peru's transition to democracy in the 1980s provided the impetus for improved relations with Chile, Chile's transition to democracy in 1990 led to repeated Chilean initiatives to improve interstate relations throughout the 1990s. Patricio Aylwin brought to Chile in 1990 a desire to restore his country to the community of nations, and to assert civilian control over the military. The latter project was hindered by the numerous prerogatives enshrined in the Chilean constitution and Pinochet's status as head of the armed forces. One arena in which Aylwin was able to pursue this agenda was internationally, where his government set out to resolve all outstanding border disputes.

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<sup>184</sup> Obando, "The Power of Peru's Armed Forces," in *Peru in Crisis: Dictatorship or Democracy?* 111-112.

<sup>185</sup> Ibid., 112-3.

Aylwin's successor, President Eduardo Frei (1994-2000), helped to complete this agenda and added his own stamp to the linked efforts to control the military and improve interstate relations. Frei focused his efforts on creating a framework for the professional democratic management of the defense sector (e.g., writing a white paper) and professionalization of the armed forces. This project carried with it certain implications for relations with Peru-most notably, an increase in military and diplomatic exchanges with Peru and the professional resolution of differences. Indeed, Fujimori sought to repair his image in the years following his self-coup. Cooperation with regional and international partners helped his cause.

### **1. Aylwin (1990-1994): Civilian Control and Good Neighbor Policies**

In 1990, as Chile began its transition to democracy, Aylwin sought to subordinate Chile's military, as well as restore his nation's legitimacy. Under his administration, for example, Chile reestablished diplomatic ties with Mexico, Cuba and the Soviet Union. The return to democracy, also allowed Chile to mend its relations fully with the United States. Ultimately, Aylwin sought to reestablish Chile's participation "in the political context of regional, democratic cooperation."<sup>186</sup> This is perhaps best evidenced with Aylwin's policy towards Argentina. Parish notes that Aylwin favored the lowering of regional tensions, the resolution of border disputes, as well as the increasing cross border economic activity.<sup>187</sup> During his presidency, for example, Aylwin, with Argentina's Menem, "signed a bundle of treaties and executive agreements" which ultimately led to the resolution of border issues and promoted cross border investment. However, at the same time, Schneider argues, "Aylwin faced the task of establishing democracy with the dictator [Pinochet] still in control of the army and vetoing any punishment of his regime..."<sup>188</sup>

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<sup>186</sup> José A. Morandé, "The Invisible Hand and Contemporary Foreign Policy," in *Latin American and Caribbean Foreign Policy*, ed. Frank O. Mora and Jeanne A. K. Hey (Oxford: Rowman and Littlefield, 2003), 254.

<sup>187</sup> Parish, "Democrats, Dictators, and Cooperation: The Transformation of Argentine-Chilean Relations," 164.

<sup>188</sup> Ronald M. Schneider, *Latin American Political History: Patterns and Personalities* (Boulder: Westview Press, 2007), 473.

Indeed, the 1980 Constitution had installed a number of prerogatives designed to control and influence the regime following its transition to democracy. The constitution, for example, limited the legislative representation of the opposition. Popular representation in Congress was checked through the appointment of nine “designated” senators—more than a quarter of the thirty-five-member chamber.<sup>189</sup> Of these nine senators, four were reserved for the former commanders in chief of every branch of Chile’s armed forces. In addition, the constitution guaranteed a strong and powerful military. The Constitution provided for the creation of a National Security Council, headed by the President, with the power to “convey to any organ of the state its opinion on any act, event or matter that gravely attempted against the bases of the institutionality or that jeopardized national security.”<sup>190</sup> Moreover, civilian control over the armed forces was severely limited. Though the president maintained the authority to appoint the commanders of each of the military services and the director general of the national police, nominees had to be selected from a list of the five highest-ranking officers with greatest seniority. Once a commander was appointed, that appointee was “safe” from presidential dismissal unless qualified charges were brought against him.<sup>191</sup>

Nevertheless, during Aylwin’s administration, the neighboring governments of Bolivia and Peru had reached a bilateral agreement allowing Bolivia to establish shipping and customs operations in the Peruvian port of Ilo. However, at the same time, Chile and Peru maintained formal discussions to implement the unresolved mandates fully of the 1929 treaty. The Treaty of Lima had called for Chile to construct a wharf for Peru in Arica, as well as a build a terminal for the Tacna-Arica railway. At the outset of Aylwin’s first term in 1990, the terms of the 1929 agreements had “still not been honored in full.”<sup>192</sup>

In February 1993, however, the Chilean government announced that Aylwin had instructed his foreign minister to resolve “all existing border disputes” by December of

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<sup>189</sup> Hudson, ed. *Chile: A Country Study*.

<sup>190</sup> Montes and Vial, “The Role of Constitution-Building Processes in Democratization,” 8-9.

<sup>191</sup> Hudson, ed. *Chile: A Country Study*.

<sup>192</sup> St. John, “Chile, Peru and the Treaty of 1929: The Final Settlement,” 96.

that year.<sup>193</sup> As part of Aylwin's goal to improve regional relations, representatives from Chile and Peru reopened formal negotiations in 1993 to discuss the full implementation of the 1929 treaty. By May, both parties reached an agreement referred to as the "Lima Conventions" which appeared, at least initially, to resolve all lingering issues with the 1929 treaty. However, as St John notes, however, the accords were soon "set aside."<sup>194</sup> Despite the fact that Fujimori's party held a slim majority in Congress, the agreement failed to muster sufficient support in Peru's Congress and was withdrawn from the table in 1994.<sup>195</sup> Moreover, little additional progress was made over the next four years, as Peruvian officials became increasingly preoccupied with Peru's border dispute with Ecuador.<sup>196</sup>

In the early 1990s, Peruvian forces were directed against a resurgent border conflict with Ecuador. By 1992, nearly 60% of Peru's army was concentrated on its northern border.<sup>197</sup> However, at the same time, Peru's military was largely unprepared for either conventional or counterinsurgency warfare. According to news reports, military officers were demoralized by low salaries—\$250/month for a general—while desertion rates were as high as 40%.<sup>198</sup> Moreover, Jaskoski points out, the Peruvian armed forces throughout the 1990s were increasingly mired in corruption. "The armed forces benefited financially from illegal arms deals and extensive participation in the cocaine trade, a business that thoroughly corrupted the military."<sup>199</sup> This corruption was so extensive, she continues, "that it was identified as a key reason for why the Peruvian

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<sup>193</sup> Ronald Bruce St. John, "Stalemate in the Atacama," *IBRU Boundary and Security Bulletin* (April 1994): 67.

<sup>194</sup> St. John, "Chile, Peru and the Treaty of 1929: The Final Settlement," 96-97.

<sup>195</sup> "Chile: International Relations and Defence," *Economist Intelligence Unit*, June 2, 2005, <http://store.eiu.com/article/723133857.html> (accessed March 11, 2009).

<sup>196</sup> St. John, "Chile, Peru and the Treaty of 1929: The Final Settlement," 96-97.

<sup>197</sup> "Underpaid Force, Fully Unprepared," *New York Times*, April 7, 1992, A16.

<sup>198</sup> Ibid.

<sup>199</sup> Maiah Jaskoski, "Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru," forthcoming in *Militares y Política en América Latina y el Caribe*, ed. Felipe Agüero and Claudio Fuentes (Santiago, Chile: FLACSO, 2008 DRAFT), 5.

armed forces were defeated militarily by their Ecuadorian counterparts.”<sup>200</sup> Thus, for various reasons, it was unsurprising that, when war did break out with Ecuador in 1995, Peru’s military performed poorly.

Nonetheless, it was during this time that the armed forces of Chile and Peru were able to make advances in the way of cooperation. Both parties agreed to a series of military exchanges in professional activities, Caro notes. These included military academy cadet exchanges, as well as exchange visits by active-duty military personnel. These also included meetings hosted by “commanders of frontier garrisons and naval areas.” At the follow-on meeting in 1992, additional progress was made in bilateral cooperation. The Chilean armed forces hosted their Peruvian counterparts at Chile’s Center of Aerospace Medicine. Peru also sent medical experts to Chile’s Army hospital. In addition, the two sides also agreed to cooperate in the Antarctic, undertake combined military exercises, and jointly participate in conferences on issues of intelligence.<sup>201</sup>

## **2. Frei (1994-2000): Modern Management of the Military and Interstate Relations**

Eduardo Frei assumed the Chilean presidency in 1994. The foreign policy initiatives of his administration sought to consolidate the successes of Chile’s new international image. This was carried out through the continued internationalization of the economy, the development of stable relations and “the promotion of an environment favorable to democratic stability.”<sup>202</sup> For instance, in 1994, the bilateral Peruvian-Chilean parliamentary association was established in order to promote cooperation among legislatures.<sup>203</sup> Moreover, OAS member states, in 1995, reaffirmed their commitment to using CBMs with the Declaration of Santiago on Confidence and Security

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<sup>200</sup> Jaskoski, “Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru,” forthcoming in *Militares y Política en América Latina y el Caribe*.

<sup>201</sup> Caro, “Peaceful Cooperation and CBMs in Chile,” in *Confidence-building Measures in Latin America*.

<sup>202</sup> Morandé, “The Invisible Hand and Contemporary Foreign Policy,” in *Latin American and Caribbean Foreign Policy*, 255-6.

<sup>203</sup> Ricardo Kompatzki Contreras, “Encuentros y Desencuentros en las Relaciones Chileno-Peruanas Durante el Siglo XX y XXI,” in *Nuestro Vecinos*, ed. Mario Artaza Rouxel and Paz Millet García (Santiago: RIL Editores, 2007), 548.

Building Measures. While the declaration outlined CBMs to foster defense related confidence, it also stressed the need to cooperate in the event of natural disasters and to develop education programs for peace.<sup>204</sup> It was during this time, also, that Chile renewed its ties with MERCOSUR (severed since 1976).<sup>205</sup>

In October 1998, the governments of Peru and Ecuador put an end to “longest standing boundary dispute in the Americas.”<sup>206</sup> This Global and Definitive Peace Agreement, as it was called, was significant for the region, as it helped “put a brake” on military spending and fostered economic development along the border region.<sup>207</sup> The successful peace negotiated between Ecuador and Peru sparked a renewed desire for both Peru and Chile to readdress their outstanding border issues, on hold since 1994. Indeed, Fujimori’s administration was quick to respond.<sup>208</sup> After nearly a year of grueling negotiations, the Foreign Ministers of Peru and Chile signed a package of documents that “collectively executed the 1929 treaty and additional protocol and ended 70 years of controversy.”<sup>209</sup> Moreover, in an extra show of good will, the government of Chile returned to Peru 200 books and documents, which had been looted by Chilean forces at the end of the War of the Pacific.<sup>210</sup>

The accord was a success in Peru this time around, for several reasons. Towards the end of the decade, signs of “Fuji fatigue” were becoming evident in Peru. While the Shining Path insurgency had been quelled for the most part, acts of terrorism remained chronic. Moreover, Fujimori’s regime was increasingly hammered with scandals.<sup>211</sup>

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<sup>204</sup> “Declaration of Santiago on Confidence and Security Building Measures,” *Stockholm International Peace Research Institute*, [http://www.sipri.org/contents/worldsec/nk/1995\\_Santiago.pdf](http://www.sipri.org/contents/worldsec/nk/1995_Santiago.pdf) (accessed November 5, 2008).

<sup>205</sup> Morandé, “The Invisible Hand and Contemporary Foreign Policy,” in *Latin American and Caribbean Foreign Policy*, 255-6.

<sup>206</sup> St. John, “Chile, Peru and the Treaty of 1929: The Final Settlement,” 96-97.

<sup>207</sup> Rubén Berrios, “Peru: Managing Foreign Policy amid Political and Economic Crisis,” in *Latin American and Caribbean Foreign Policy*, ed. Frank O. Mora and Jeanne A. K. Hey (Oxford: Rowman and Littlefield, 2003), 214.

<sup>208</sup> St. John, “Chile, Peru and the Treaty of 1929: The Final Settlement,” 96-97.

<sup>209</sup> Ibid., 97.

<sup>210</sup> Ibid.

<sup>211</sup> Schneider, *Latin American Political History: Patterns and Personalities*, 468.

Around the same time, too, Degregori notes, Peru’s military took a serious blow. General Hermoza, head of Peru’s military, was seen by the international community as overtly bellicose following Peru’s declaration of peace with Ecuador. At the urging of the international community, especially the United States, Fujimori sacked Hermoza—giving full control of the military to Fujimori and his confidant, Montesinos.<sup>212</sup>

With Hermoza out of the picture, Fujimori had more room in which to maneuver politically. Moreover, by this time, he had achieved majority support in congress. Thus, the “Act of Execution” was signed in November 1999. It addressed the construction of a wharf, a train station and a customs house in Arica.<sup>213</sup> St John notes that the settlement “was generally well received in both Chile and Peru.” In addition, less than three weeks after the signing of the formal agreements, President Fujimori conducted the first official state visit of a Peruvian president to Chile. Chilean President Eduardo Frei later reciprocated with his visit to Peru in February 2000.<sup>214</sup>

#### D. ANALYSIS OF INTERNATIONAL RELATIONS: 1980-2000

Snyder and Mansfield contend that the 1990s turned out to be a decade of “democratization and chronic nationalist conflict, both within and between some transitional states.”<sup>215</sup> I argue, however, that this was not the case with respect to the relationship between the governments of Chile and Peru. Indeed, as my research in the preceding sections has evidenced, the decades of the 1980s and 1990s symbolized an era of improving relations between two historic enemies.

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<sup>212</sup> Carlos Iván Degregori, “Peru: the Vanishing of a Regime and the Challenge of Democratic Rebuilding,” in *Constructing Democratic Governance in Latin America*, ed. Jorge I. Dominguez and Michael Shifter (Baltimore: The Johns Hopkins University Press, 2003), 237.

<sup>213</sup> St. John, “Chile, Peru and the Treaty of 1929: The Final Settlement,” 97.

<sup>214</sup> Ibid., 97-98.

<sup>215</sup> Mansfield and Snyder, “Democratic Transitions, Institutional Strength, and War,” 297.

To the extent presidents in newly democratic countries identified civilian control of the military as a central objective, they sought improved interstate relations as a means to this end. However, in addition to understanding this incentive for presidential action, it is necessary to understand when executives were able to act on their preferences and redefine interstate relations.

The preferences of actors, I posit, are important in defining interstate relations. Sotomayor, for instance, argues that the presidents of two newly emerging democracies of the 1980s—Argentina and Brazil—sought to contain their militaries and retain civilian control.<sup>216</sup> Moreover, by recognizing each other as allies, the civilian leaders were further able to reduce the threat that the armed forces would act on historical bilateral grievances.<sup>217</sup> Sotomayor’s argument, however, suggests that executive preferences can only be shared between like-minded democrats. As I have evidenced in this chapter, however, this is not the case. Democratically elected executives in new democracies also demonstrated strong incentives to reach out to their authoritarian neighbor in order to resolve historical disputes, as part of ongoing efforts to reassert civilian control over their militaries. This was evidenced in Peruvian relations toward Chile in the 1980s, and conversely, Chilean overtures to Peru throughout the 1990s.

However, actors need to have the capacity to act. Parish suggests, for instance, that bilateral cooperation is most effective when actors have the ability to implement their decisions.<sup>218</sup> Indeed, the executive’s ability to act is greatly influenced by his relationship with the legislature, political opposition parties as well as the military.<sup>219</sup> The following addresses that ability.

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<sup>216</sup> Sotomayor, “Civil-Military Affairs and Security Institutions in the Southern Cone: The Sources of Argentine-Brazilian Nuclear Cooperation,” 43.

<sup>217</sup> Ibid., 44.

<sup>218</sup> Parish, “Democrats, Dictators, and Cooperation: The Transformation of Argentine-Chilean Relations,” 148.

<sup>219</sup> Ibid., 168.

## **1. The 1980s: Cooperation under a Democratic Peru**

In 1980, Peru shed twelve years of military authoritarianism. When Belaúnde assumed his mandate to power, his immediate focus was in the normalization of governance. Though he did not actively seek to establish strong civilian control of the military, as Hunter has noted, the military's powers noticeably shrank under his administration.<sup>220</sup> When García assumed office, however, he vigorously asserted civilian control of the military. He made significant cuts in the defense sector, for instance, and modified the structure of the defense ministry to favor civilian control. Hence, either actively or passively, the Peruvian presidents of the 1980s effectively asserted control over the military. This, I posit, allowed them the increased ability to act on their preferences.

As a result, we see the overtures of peace extended to Peru's neighbors at this time. However, why was the Chilean government receptive to these initiatives? Indeed, during the 1980s, Pinochet's military regime was in near absolute control of all aspects political. However, Pinochet and his regime had significant incentive to accept Peru's conciliatory advances, because Chile's government in the 1980s was becomingly increasingly isolated. As Muñoz pointed out, for example, Chile's military government had found it necessary to devise a proactive foreign policy in 1980, in order to demonstrate to the international community that Chile was a "progressive country."<sup>221</sup> Nevertheless, throughout the 1980s, Chile's political isolation increased. Even the U.S. began providing support for Pinochet opposition movements throughout the 1980s.<sup>222</sup> Thus, by acquiescing to international overtures of peace and conciliation, Pinochet and his regime were better postured to show the world that Chile was, in fact, a progressive country.

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<sup>220</sup> Hunter, "Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru," 468.

<sup>221</sup> Muñoz, "Chile's External Relations under the Military Government," in *Military Rule in Chile*, 314.

<sup>222</sup> Shirley Christian, "Group Is Channeling U.S. Funds to Parties Opposing Pinochet," *The New York Times*, June 15, 1988,  
<http://query.nytimes.com/gst/fullpage.html?res=940DEED81631F936A25755C0A96E948260&sec=&spon=&pagewanted=all> (accessed November 13, 2008).

## **2. The 1990s: Cooperation under a Democratic Chile**

In the 1990s, cooperation initiatives between Peru and Chile continued. However, the roles had essentially been reversed. This time it was the efforts of Presidents Aylwin and Frei who led the charge from a resilient Chile, while Peru suffered a series of democratic setbacks under Fujimori. Nevertheless, Fujimori's and his regime also had incentives to be receptive to his neighbor.

As I have illustrated, the preferences of both the Aylwin and Frei administrations consisted of restoring Chile's image with respect to the international community. As such, they had strong incentives to reach out to an authoritarian Peru, as part of a larger and ongoing effort to subordinate the military. Chile's armed forces, however, retained significant prerogatives. As a result, both Aylwin and Frei were potentially constrained in their ability to act. Presumably, I argue, the Chilean military could have exercised a veto over some of the decisions advanced by either Aylwin or Frei. Nevertheless, it is important to note, that despite the strength of Chile's military, both Aylwin and Frei were successful in advancing their agenda towards Peru. This indicates that, at least with respect to Peruvian policy, the preferences of the military were in line with the executive.

Nevertheless, by the end of the decade, military prerogatives did begin to erode. Pinochet had retired as head of the military, for example, as had a number of Supreme Court judges.<sup>223</sup> Moreover, the Frei administration had attempted to push a number of constitutional reforms through congress. As a result, Chilean democrats had an increasing ability throughout the 1990s to act on their preferences.

At the same time, Fujimori in Peru faced increased incentives to accept Chilean initiatives. During the 1990s, for example, democratic institutions in Peru were increasingly marginalized. In 1992, Fujimori consolidated his grip on power via a self-coup establishing a virtually authoritarian regime.<sup>224</sup> Fujimori sought to aggressively

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<sup>223</sup> Schneider, *Latin American Political History: Patterns and Personalities*, 474.

<sup>224</sup> Hunter, "Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile and Peru," 470.

combat insurgency, control hyperinflation and combat corruption.<sup>225</sup> However, while he succeeded in controlling the first two, Fujimori failed miserably in combating the last. Thus, by mid-decade his domestic popularity was low.<sup>226</sup> Fujimori needed a way to augment his grip on authority leading into mid-decade. He sought to accomplish this by seeking legitimacy from the international community. And “playing nice” with Chile, I argue, effectively demonstrated to the international community that Peru was, in fact, worthy of the legitimacy which it sought.

Fujimori, however, was initially constrained in his ability to cooperate with Chile. The settlement of border issues, which both sides agreed to in 1994, was rejected by Peru’s parliament that same year, thus reflecting his inability to act on his preferences. By the end of the decade, however, the situation was fundamentally different. “Fujimori’s recovery in 1999 was one of the most astonishing political feats of the decade,” Degregori posits.<sup>227</sup> At that time, Degregori contends, Fujimori faced only a “very unimpressive opposition,” consisting of stale political parties built around “caudillos.”<sup>228</sup> Thus, Fujimori was politically empowered to act on his desire to resolve the lingering border issues with Chile.

Thus, throughout the 1990s, the newly emerging democratic presidents in Chile sought to restore Chile’s image to the international community. Aylwin and Frei accomplished this through their attempts at subordinating the military, while at the same time reaching out to regional and international neighbors—including Peru. Though authoritarian in nature, Fujimori’s regime had incentive to accept Chilean advances. This action, I argue, provided Fujimori a mechanism with which to garner international legitimacy. His efforts were constrained early in his regime, as his popularity remained

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<sup>225</sup> Berrios, “Peru: Managing Foreign Policy amid Political and Economic Crisis,” in *Latin American and Caribbean Foreign Policy*, 213.

<sup>226</sup> Degregori, “Peru: the Vanishing of a Regime and the Challenge of Democratic Rebuilding,” in *Constructing Democratic Governance in Latin America*, 227.

<sup>227</sup> Ibid., 238.

<sup>228</sup> Ibid.

low. He could not muster the strength in Congress to approve the settlement reached with Chile. However, by the end of the decade, Fujimori's authority was more secure. As a result, Peru's longstanding dispute with Chile was put to rest.

#### **E. CONCLUSION**

The 1980s and 1990s symbolize an era of burgeoning peace between two historic enemies. Indeed, the impetus for this traces its roots to the reestablishment of democracy first in Peru in 1980, then in Chile in 1990. However, the resultant peace is not part of the traditional democratic theory of peace. As I have evidenced, cooperation was advanced by a democratizing Peru in the 1980s against an authoritarian regime in Chile. Conversely, the trend continued throughout the 1990s, with Chile making advances despite the authoritarian regime in Peru.

Democratization in Latin America in the 1980s and 1990s involved the subordination of the military. At the same time, the executives also looked to normalize governance and reassert their position within the world community. To do this, they sought rapprochement with their neighbors and historical enemies. In addition, the military control the civilian leaders were able to assert provided the room necessary for them to act on their preferences.

## **IV. RENEWED BILATERAL THREATS, 2000-PRESENT**

### **A. INTRODUCTION**

Positive relations of the 1980s and 1990s continued into the new millennium under the stewardship of new presidents in both Chile and Peru. Under Toledo's purview, for example, the two governments established the still ongoing (2+2) meetings between the Ministers of Defense and Foreign Affairs. Moreover, significant military cooperation efforts also began during his administration. However, the domestic pressures Toledo faced led to renewed disputes with his Chilean neighbors by the end of his term. Beginning in 2003, Chilean weapons purchases led to Peruvian programs to modernize their armed forces; while this did not initially derail bilateral relations, which continued to improve, Peruvian politicians opposed to Toledo eventually seized on this and other incidents for political advantage. Moreover, by late 2005, in the run-up to the April 2006 presidential elections, the Peruvian Congress passed (and Toledo signed) a law redrawing Peru's maritime border with Chile. The first-place finisher in the first round of the elections was ultra-nationalist candidate, retired Lieutenant Colonel Ollanta Humala, who campaigned, in part, on disputes with Chile.

The more moderate García, however, ultimately won the presidency in the second round of elections. He made immediate attempts early in his presidency—in fact, even before his presidency—to establish a friendly relationship with his Chilean neighbors and to establish himself as a responsible alternative to Humala. In an effort to solve the maritime border dispute in a way that insulates it somewhat from Peruvian political dynamics, García had his government submit a formal claim to the International Court of Justice in January 2008. Both sides remain confident of and committed to the eventual ruling, though arbitration will take several years. In the meantime, however, a renewed and historical dispute, an upsurge of military hardware, coupled with the emergence of a political party and leader within Peru devoted to exploiting nationalist passions provides the necessary fodder for confrontation. Whether or not this occurs, though, remains to be seen.

Since the ups and downs in the bilateral relationship since 2000 can be explained primarily by changes in Peruvian domestic politics, this chapter is divided into time periods corresponding to the two Peruvian presidential terms since 2000. The following section covers President Toledo's administration (2001-2006), stressing the initially good relations and then tracking their deterioration as Chilean arms purchases and other incidents inflamed Peruvian passions contributed to an emerging political cleavage around this issue. An increasingly weak and unpopular President Toledo was unable to contain these passions and the result was a 2005 law that created a new maritime border dispute between Chile and Peru. The subsequent section covers the first years of the Alan García administration (2006-present), demonstrating how he was able to use the honeymoon period of his presidency to set Chilean-Peruvian relations back on a positive course and has consistently acted to contain the nationalist pressures created by his main opponent, Ollanta Humala and his Partido Nacionalista Peruano.

#### **B. DETERIORATION OF INTERSTATE RELATIONS: 2001-2006**

Chile began the twenty-first century in solid political and economic shape. With the new democracy now ten years old, President Ricardo Lagos was free to pursue liberal goals. He placed significant value in strengthening Chile's image abroad. Moreover, he was committed to strengthening Chile's democracy while ensuring human rights. The situation was not so good, however, in neighboring Peru. President Alejandro Toledo assumed the presidency in the wake of political chaos, as Fujimori made a complicated exit from Peruvian politics.

Nevertheless, Toledo entered an administration fraught with rampant corruption. While his primary goal was to eliminate that corruption and improve Peru's economy, these goals were closely connected to a need to assert civilian control over the military. Consistent with this, the early part of his administration also saw the continuance of good bilateral relations with Chile. However, despite an improved economy, Toledo's domestic popularity plummeted over alleged corruption and other scandals. Politicians, both ruling and in opposition, ran rampant in stirring up old wounds with Chile. Chilean arms

purchases beginning in 2003 provided fuel for this strategy, as did a number of other incidents highlighted by the Peruvian media. By the end of Toledo's administration (and Lagos' in Chile), Peru had renewed its border dispute with Chile.

### **1. Initial Positive Relations (2001-2003)**

In March 2000, Ricardo Lagos assumed the reins of the Chilean presidency. President Lagos, Morandé suggests, "...placed an emphasis on the social and economic aspects of Chile's international image, deepening the country's political ties abroad through high profile presidential visits and participation in regional and hemispheric summits."<sup>229</sup> Moreover, he continues, the Lagos administration remained committed to strengthening democracy, protecting human rights, and promoting the process of regional cooperation and integration.<sup>230</sup> Ultimately, Schneider posits, under the changes implemented by the two democrats before him, Lagos "would carry Chile into the twenty-first century in the best political shape of any country in the Western Hemisphere."<sup>231</sup> This was in stark contrast, however, to the situation faced by his Peruvian counterpart, Alejandro Toledo, whose presidential inauguration in Lima Lagos attended on July 28, 2001.<sup>232</sup>

Alejandro Toledo came to power in the wake of controversy and political turmoil. He had boycotted the second round of the presidential elections in 2000 after losing the first round to sitting President Fujimori in a process marred by irregularities and fraud. Fujimori eventually called for new elections in response to international and domestic pressure and, soon thereafter, rushed "unceremoniously" into exile in Japan<sup>233</sup> as a corruption and bribery scandal engulfed his regime. Nonetheless, Toledo's election in 2001 marked the return of institutional democracy in Peru.

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<sup>229</sup> Morandé, "The Invisible Hand and Contemporary Foreign Policy," in *Latin American and Caribbean Foreign Policy*, 256.

<sup>230</sup> Ibid.

<sup>231</sup> Schneider, *Latin American Political History: Patterns and Personalities*, 475.

<sup>232</sup> Contreras, "Encuentros y Desencuentros en las Relaciones Chileno-Peruanas Durante el Siglo XX y XXI," in *Nuestro Vecinos*, 548.

<sup>233</sup> Schneider, *Latin American Political History: Patterns and Personalities*, 545.

Fujimori, however, had left Peru in a sordid mess. Jaskoski argues, for instance, that by the time Fujimori left office, Peru's armed forces were "thoroughly corrupted" and "top-heavy" due to high-level promotions in exchange for loyalty to Fujimori's regime.<sup>234</sup> Moreover, Peru's military had also assembled large reserves of deficient or outdated weapons, "obtained through arms deals that bought for the military poor equipment while lining the pockets of...various high-level military officers."<sup>235</sup> According to Ángel Páez, for example, Fujimori's then advisor, Vladimiro Montesinos, had received huge bribes from arms dealers, helped by purchases made by the Armed Forces. Moreover, he contends, Fujimori himself ordered what companies contracted and then overstated the prices. Peruvian authorities have estimated that the more than U.S.\$140 million found in Montesinos' overseas accounts were bribes for the purchase of MiG-29 and Sukhoi-25 fighter aircraft, Mi-17 and Mi-6T helicopters, as well as phone spy equipment and electronic warfare systems.<sup>236</sup> Indeed, Páez concludes, Peru's arms purchases continued to increase significantly as a result of the border dispute with Ecuador. Despite the signing of the peace agreement with Quito in 1998 to end the conflict formally, he notes, Fujimori's administration continued spending on military equipment.<sup>237</sup>

Changes in civil-military relations since Fujimori's departure reinforced the government's central goal of reducing corruption. Jaskoski notes, for example, that since late 2000, "major legal reforms have greatly reduced military prerogatives," while civilian control has "increased greatly."<sup>238</sup> Toledo's emphasis on the economy resulted

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<sup>234</sup> Jaskoski, "Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru," forthcoming in *Militares y Política en América Latina y el Caribe*, 6.

<sup>235</sup> Ibid., 6.

<sup>236</sup> Ángel Páez, "Armamentismo sin Pausa," *La Insignia*, November 2005, [http://www.lainsignia.org//2005/noviembre/ibe\\_056.htm](http://www.lainsignia.org//2005/noviembre/ibe_056.htm) (accessed March 13, 2009).

<sup>237</sup> Ibid.

<sup>238</sup> Maiah Jaskoski, "Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru," forthcoming in *Militares y Política en América Latina y el Caribe*, ed. Felipe Agüero and Claudio Fuentes (Santiago, Chile: FLACSO, 2009 DRAFT), 9.

five years of “sustained economic progress,” notes a Jane’s analysis, “with low inflation, low unemployment and average annual growth of six per cent.” This led many to view Peru as a “Latin American success story.”<sup>239</sup>

Continued cooperation with Chile served President Toledo’s related goals of reestablishing control over the military and focusing on the economy. When Toledo assumed the presidency in July 2001, he had made the decision not to buy more armaments, but rather to allocate resources for programs to reduce poverty in Peru.<sup>240</sup> He then visited the Chilean Congress in an official visit in August 2002,<sup>241</sup> following his government’s call earlier that year to once again lower defense spending in the region in support of peace and increased social welfare programs.<sup>242</sup>

In addition to continuing positive relations with Chile, the Toledo administration also pioneered a number of new forms of cooperation. In July 2001, for instance, both governments initiated a “so-called” Permanent Committee on Political Co-ordination and Consultation, “with the aim of consolidating the new-found trust between the two countries by working more closely on matters of regional defense and the preservation of democracy.”<sup>243</sup> This agreement was then executed in June 2002, at which time both the Ministers of Foreign Relations and Defense from Chile and Peru met for the first meeting.<sup>244</sup> Among other things, José Robles Montoya notes, this “mechanism,” referred

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<sup>239</sup> Jane’s Sentinel Risk Assessment for Peru, February 17, 2009, [http://www4.janes.com/subscribe/sentinel/archive\\_doc\\_view.jsp?K2DocKey=/content1/janesdata/sent/samu/perus070.htm@current&Prod\\_Name=SAMS&QueryText=\\*&](http://www4.janes.com/subscribe/sentinel/archive_doc_view.jsp?K2DocKey=/content1/janesdata/sent/samu/perus070.htm@current&Prod_Name=SAMS&QueryText=*&) (accessed March 16, 2009).

<sup>240</sup> Páez, “Armamentismo sin Pausa.”

<sup>241</sup> Contreras, “Encuentros y Desencuentros en las Relaciones Chileno-Peruanas Durante el Siglo XX y XXI,” in *Nuestro Vecinos*, 548.

<sup>242</sup> Regional Arms Control Initiatives in Latin America and the Caribbean,” U.S. State Department Fact Sheet, June 30, 2003.

<sup>243</sup> Jane’s Sentinel Risk Assessment for Chile, December 15, 2008, [http://www4.janes.com/subscribe/sentinel/archive\\_doc\\_view.jsp?K2DocKey=/content1/janesdata/sent/samu/chils080.htm@current&Prod\\_Name=SAMS&QueryText=\\*&#toclink-j1131125585771842](http://www4.janes.com/subscribe/sentinel/archive_doc_view.jsp?K2DocKey=/content1/janesdata/sent/samu/chils080.htm@current&Prod_Name=SAMS&QueryText=*&#toclink-j1131125585771842) (accessed March 13, 2009).

<sup>244</sup> Contreras, “Encuentros y Desencuentros en las Relaciones Chileno-Peruanas Durante el Siglo XX y XXI,” in *Nuestro Vecinos*, 548.

to as the (2+2 meetings), “has led the establishment of a security and defense committee, generated talks to standardize measures of defense spending, as well as the eradication of mines<sup>245</sup> in compliance with the agreements of Ottawa.”<sup>246</sup>

In August 2004, the armies of Peru and Chile held their first meeting to establish joint exercises to support the civilian community. Dubbed “Exercise Concordia,” its principal goal was to develop and coordinate bilateral training issues in an attempt to assist in confronting the results of natural disasters.<sup>247</sup> That same month, the Commander of the Peruvian Army, José Antonio Graham Ayllón, visited the Chilean War College. This type of activity, it was noted, strengthened mutual trust and served to enhance cooperation between the two Armies.<sup>248</sup> The (2+2) met again in July 2005. During this meeting, the ministers formally concluded that the recent and mutual acquisition of weapons was to replace or upgrade aging hardware, and that “no controversies, conflicts or altercations” existed between each other.<sup>249</sup>

## **2. Arms Modernization or Renewed Arms Race? (2003-2005)**

At the same time, however, the foundation had been laid for an increase in the acquisition of arms—on both sides—and this occurred under Toledo despite his early resolve to shift spending away from defense. For the most part, the renewed spending on weapons can accurately be characterized as a much needed modernization of forces that had been relatively neglected. On the Chilean side, the purchases are grounded in a realist notion of deterrence; on the Peruvian side, the nationalist passion that Chilean

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<sup>245</sup> Demining operations are continuing, but not expected to meet the 2012 deadline established by the Ottawa Convention.

<sup>246</sup> José Robles Montoya, “De la Disuasión a la Cooperación: Dos Siglos en la Relación Chile-Perú,” *Revista Fuerzas Armadas y Sociedad* 20, no. 1 (2006): 41, [http://www.fasoc.cl/php/fasoc.php?seccion=articulo&id\\_articulo=526](http://www.fasoc.cl/php/fasoc.php?seccion=articulo&id_articulo=526) (accessed November 19, 2008).

<sup>247</sup> “Ejercicio Combinado ‘Concordia,’” Chilean Army Webpage, [www.ejercito.cl](http://www.ejercito.cl) (accessed November 5, 2008).

<sup>248</sup> “Visita Extranjera,” Chilean Army Webpage, August 24, 2008, <http://www.ejercito.cl> (accessed November 5, 2009).

<sup>249</sup> Robles Montoya, “De la Disuasión a la Cooperación: Dos Siglos en la Relación Chile-Perú,” 41.

arms purchases (and other incidents) have inflamed have created a dangerous political dynamic that could spiral out of control (akin to an arms race) if politicians are not able to contain it.

The initial push for renewed arms purchases after nearly two decades of low spending by both Chile and Peru came in the wake of the Peru-Ecuador conflict in 1995. It had been predicted early after Peru's conflict with Ecuador that the poor performance of Peru's Soviet-era arms, and the resultant losses of Peru's largely Soviet-built equipment, would ultimately "lead to a push for rearmament."<sup>250</sup> "Replacing aircraft and arms will be a significant unanticipated cost" of the war, predicted Eduardo Devoto Acha, then general manager of the Peruvian Confederation of Private Enterprises.<sup>251</sup> By December 1996, his statement proved accurate. Peruvian Air Force sources confirmed that "Lima had purchased 18 Mig-29 fighters, as well as 14 Sukhois and munitions, from Belarus."<sup>252</sup> In total, the estimated package was valued between \$350-400 million. Peruvian authorities, however, discounted accusations that such a purchase threatened the regional balance of power. Authorities insisted the aircraft were simply to replace the 18 aircraft lost or decommissioned since its brief conflict with Ecuador. Chile's Defense Minister also downplayed the acquisition, but at the same time reported the Chilean Air Force was "already taking steps to upgrade its capability."<sup>253</sup>

Analysts cautioned that Peru's move to acquire advanced weaponry would encourage other Latin American states to "press Washington" to relax its ban on sophisticated equipment to the region.<sup>254</sup> Indeed, by April 1997 President Clinton essentially ended the twenty year U.S. weapons ban to Latin America by authorizing American companies to sell F-16 combat aircraft to Chile. As Chile had successfully transitioned to a democratic regime in 1990, the main impetus behind the Carter administration's ban ceased to exist. Analysts cite two reasons for the Clinton

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<sup>250</sup> Howard LaFranchi, "A Little War Chills South America's Hopes," *The Christian Science Monitor*, February 24, 1995, 1.

<sup>251</sup> Ibid.

<sup>252</sup> "Latin America: Arms Race," *OxResearch*, December 3, 1996.

<sup>253</sup> Ibid.

<sup>254</sup> Ibid.

administration's decision to drop the ban. The first was in response to pressure from U.S. weapons manufacturers, who felt they were losing revenues in a potentially expanding market. The second, the Chilean press indicated, was in direct response to Peru's acquisition of aircraft and munitions from Belarus.<sup>255</sup>

However, the Peruvian Air Force faced an embarrassing situation once the Belarusian aircraft began to arrive, however. The "bargained priced" aircraft had been purchased without a warranty or service contract. Nor was the government of Belarus in a position to provide support for the aircraft. At the same time, the Russians refused to provide service for aircraft purchased from a "competitor." Peruvian military experts begrudgingly quipped: "Buying those MiG-29's from Belarus was like buying a refrigerator at a rummage sale then realizing after you get it home that not only is the warranty nontransferable but you can't even get spare parts."<sup>256</sup> Nevertheless, SIPRI data indicates that in 1999, Russia sold another three MiG-29s to the Peruvians, in addition to a \$117 million contract to provide service and support for the Belarusian aircraft.<sup>257</sup>

In 2003, the Chilean Air Force finalized a \$660 million contract to purchase ten F-16s from the United States for delivery in 2006-2007. Moreover, the Chilean air force acquired an additional 18 "used" F-16s from the Dutch in 2005 for \$100 million, also delivered in the 2006-2007 timeframe.<sup>258</sup> As expected, Chilean officials as well as regional analysts insisted Chile was not engaging in an arms race, but rather pressing forward with a traditionally defensive and deterrent policy. Analyst Eduardo Santos, for instance, explained the necessity to maintain a level of arms necessary to convince a potential adversary aggression carries more costs than benefits. He also indicated that

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<sup>255</sup> "U.S. Ends Ban on Advanced Weapons to Chile," *New York Times*, April 4, 1997, A7.

<sup>256</sup> Calvin Sims, "Peru's Cut-Rate Fighter Jets Were Too Good to Be True," *New York Times*, May 31, 1997, 1.

<sup>257</sup> SIPRI Trade Registers.

<sup>258</sup> Ibid.

Chile was downsizing the size of its armed forces, but making up for the “reduction” through better technology. Moreover, he insisted, Chile had not replaced its outdated equipment since the arms embargos of the 1970s.<sup>259</sup>

Nevertheless, by late 2003 the Peruvian government announced a plan to establish a permanent budget with which to upgrade its armed forces. President Toledo had decided to reverse his earlier decision to limit the purchases of military arms. The 2003 plan called for the renovation, modernization and maintenance of transport and fighter aircraft, as well as ships, submarines, tanks and armored vehicles.<sup>260</sup> Known in Peru as the National Defense Fund, the plan sought to fund the armed forces with revenues generated from Peru’s natural gas reserves.<sup>261</sup> It is similar in scope to Chile’s “Copper’s Reserved Law,” designed to finance, distribute, approve and procure war material proposed by the Chilean armed forces.<sup>262</sup> The law dictates that 10% of the export value of copper and associated products made by CODELCO, Chile’s state-run copper enterprise, goes to defense procurement. As the world price of copper more than quadrupled between 2003 and 2006, the “Copper Law” has provided significant buying power to the Chilean armed forces.<sup>263</sup> Chile’s typical annual armed forces budget, for example, hovered around U.S. \$200 million for many years. With high copper prices, Chile’s estimated 2007 defense related expenditure was as high as U.S. \$5 billion.<sup>264</sup>

Peru’s National Defense Fund has also benefited from the commodities boom. In 2005, the first year Peru’s military fund took effect, the military’s share was approximately U.S. \$33 million. This amount, Jaskoski notes, “constituted an

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<sup>259</sup> Javier Mendez Araya, “Chile Mantiene Política Disuasiva,” *El Mercurio*, March 8, 2004.

<sup>260</sup> Javier Mendez Araya, “Perú Acelera Modernización Militar,” *El Mercurio*, August 14, 2004, <http://diario.elmercurio.cl/detalle/index.asp?id={efae6ee5-80dc-4c5e-a75a-267a5e93be7a}> (accessed November 15, 2008).

<sup>261</sup> Jaskoski, “Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru,” forthcoming in *Militares y política en América Latina y el Caribe*, 17.

<sup>262</sup> Book of the National Defense of Chile,” Published by the Chilean Ministry of Defense, 2002, 142, [http://www.defensa.cl/libro\\_2002/ingles/index.htm](http://www.defensa.cl/libro_2002/ingles/index.htm) (accessed December 5, 2008).

<sup>263</sup> “Chile’s Aggressive Military Arm Purchases Are Ruffling the Region.”

<sup>264</sup> “Caribbean and Latin America,” *The Military Balance* 108, no. 1 (February 2008): 61, <http://www.informaworld.com/smpp/content~content=a790393319~db=all~order=page> (accessed December 5, 2008).

approximate 3% increase in the defense ministry's national budget.”<sup>265</sup> While this may seem insignificant, Jaskoski argues otherwise. The U.S. \$33 million “represented a considerable amount of potential resources for investment in weaponry and other materials,” he says, because annual expenditures in 2004 had been only U.S. \$14 million.<sup>266</sup>

### **3. Increased Tensions and Maritime Dispute (2005-Present)**

Nationalist sentiments in both Chile and Peru are not new and the countries have squabbled over questions of national pride like whether the potato, the brandy-like drink pisco, and a popular dessert originated in Chile or Peru. A number of these conflicts have long histories, with Chile banning Peruvian pisco imports in 1961 and Peru reciprocating thirty years later.<sup>267</sup> However, by the mid-2000s, nationalist rhetoric and conflicts had intensified. Some of this was spurred by events beyond the control of either party (e.g., revelations of an Ecuadorian military official on trial about Chilean arms sales to Ecuador) but much of it originated from the Peruvian side. As the media and politicians concocted conflict scenarios related to Chilean arms purchases, public fears began to grow. A 2004 University of Lima poll indicate 77 percent of Peruvians interviewed believe Chile is involved in an arms race. More importantly, nearly 50 percent believe armed conflict with Chile is “likely,” with only 32 percent believing conflict is unlikely.”<sup>268</sup> Rafael Velasquez argues that Peru’s politicians follow a dangerous recipe, using “old resentment towards neighboring Chile” in order to make political gains.<sup>269</sup>

Tensions particularly intensified in 2005, in the run up to the presidential election of early 2006. In January 2005, for example, two Chilean students were caught painting graffiti on a historic monument in the Peruvian city of Cuzco. They were imprisoned for

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<sup>265</sup> Jaskoski, “Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru,” forthcoming in *Militares y Política en América Latina y el Caribe*, 18.

<sup>266</sup> Ibid.

<sup>267</sup> Elliot Gotkine, “Peru and Chile Quarrel over Brandy Drink,” *BBC News*, December 16, 2002, <http://news.bbc.co.uk/1/hi/business/2573799.stm> (accessed December 5, 2008).

<sup>268</sup> Gustavo Gonzalez, “South America: Is There an Arms Race? Analysts Disagree,” *IPS News Wire*, April 26, 2004, <http://www.highbeam.com/doc/1P1-93859645.html> (accessed December 5, 2008).

<sup>269</sup> Ibid.

five months—a sentence which Chilean authorities believed was excessive, given that Peruvian students, also involved, were not arrested. In May of the same year, Peru’s government ruffled feathers with their opposition to the election of Chilean Jose Miguel Insulza, as secretary-general of the Organization of American States. During this time, too, relations were strained by Peru’s resurgent accusation that Chile sold arms to Ecuador during its brief war with Peru in 1995.<sup>270</sup> “The Peruvian government,” Velasquez notes, “demanded a public apology and put a [temporary] stop to the 2+2 discussions [between the two governments].”<sup>271</sup>

In April, Velasquez notes, Peruvian government officials were angered when they discovered the Chilean national airline, LAN, showed its passengers what Peru claimed were degrading films about Peru. Both ruling and opposition parties (as well as the independents) in Peru demanded that the Ministries of Transportation, Interior and Foreign Affairs work together “to manage the expulsion of LAN from the country.” In June, Peruvian news sources reported that rising copper prices would be used by the Chilean armed forces to fund an “imminent plan of invasion” of Peru. Moreover, in August, a Peruvian Congressman presented a Chilean flag to Peru’s Premier Elect. This was an apparent form of protest for the Premier’s “alleged pro-Chilean behavior.”<sup>272</sup> Adding strain to the already cooling bilateral relations, in November 2005, Chilean courts refused to extradite Alberto Fujimori to Peru to stand trial for corruption and human rights abuses.<sup>273</sup> Some time before, Fujimori had arrived unexpectedly in Santiago with unrealistic hopes for a renewed run at the Peruvian presidency.

In addition to rising nationalist sentiment, the year 2005 was marked by the rapid decline of Toledo’s administration. Despite his economic successes, for instance, Toledo’s presidency was burdened by scandal—“from revelations about extravagant

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<sup>270</sup> “Chile/Peru: Tensions Flare on Maritime Border Change,” *OxResearch*, November 9, 2005, 1.

<sup>271</sup> Rafael Velasquez, “Five Sad Reasons to Worry about Peru,” University for Peace Webpage, September 16, 2005, [http://www.monitor.upeace.org/archive.cfm?id\\_article=301](http://www.monitor.upeace.org/archive.cfm?id_article=301) (accessed March 17, 2009).

<sup>272</sup> Ibid.

<sup>273</sup> Juan Forero, “Court in Chile Refuses to Free Peru’s Ex-Leader,” *New York Times*, November 9, 2005, A3.

spending to a daughter born out of wedlock.”<sup>274</sup> Moreover, many Peruvians became increasingly disappointed “with the government’s inability to improve their lives even as the economy steadily chalked up strong growth applauded by international lenders and Wall Street.”<sup>275</sup> Adding insult to injury, in mid-2005, Toledo faced impeachment related to forgery charges.<sup>276</sup>

In this context, it was of little surprise that President Toledo signed a law redrawing the sea border with Chile in November 2005.<sup>277</sup> The bill, which was unanimously approved by the Congress, gave Peru an additional 14,600 square miles of fishing waters at Chile’s expense.<sup>278</sup> By the end of 2005, a spokesperson for the Ministry of Foreign Affairs “confirmed that his country was planning to take legal action to settle the disputed maritime boundary.”<sup>279</sup> While seeking to avoid confrontation and abide by international law, scholars suggest, Peru’s congress argued the law would ultimately establish a protocol through which the country would be able to negotiate a new sea border with Chile. The current maritime border is a horizontal line that initiates at the land border and heads west, parallel across the Pacific. The border, which Peru’s congress approved, however, is a south-western sloping divide which follows the two countries’ diagonal border into the Pacific.<sup>280</sup>

The Chilean government has considered the legislation illegal and contends the lawful boundaries were established through the bilateral accords signed in the 1950s. Moreover, Chilean officials maintain that Peru (in both practice and through

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<sup>274</sup> Juan Forero, “Peruvians Tire of Toledo, but Worry about Ousting Him,” *The New York Times*, August 5, 2004, <http://query.nytimes.com/gst/fullpage.html?res=9C0CE6DF153CF936A3575BC0A9629C8B63> (accessed March 16, 2009).

<sup>275</sup> Ibid.

<sup>276</sup> “Toledo Survives Impeachment Vote in Peru Congress, Andina Says.” Bloomberg.com, May 20, 2005, [http://www.bloomberg.com/apps/news?pid=10000086&sid=a0Nsd3vSVYAc&refer=latin\\_america](http://www.bloomberg.com/apps/news?pid=10000086&sid=a0Nsd3vSVYAc&refer=latin_america) (accessed March 16, 2009).

<sup>277</sup> “Jane’s Sentinel Country Risk Assessment for Chile.”

<sup>278</sup> “Peru-Chile Border Row Escalates,” *BBC Online*, November 4, 2005, <http://news.bbc.co.uk/2/hi/americas/4405402.stm> (accessed January 15, 2009).

<sup>279</sup> “Jane’s Sentinel Country Risk Assessment for Chile.”

<sup>280</sup> “Peru-Chile Border Row Escalates.”

documentation) has “accepted the boundary for the past 50 years.”<sup>281</sup> As analysts speculated, Chilean authorities, too, dismissed Peru’s claim as a political ploy—used to garner domestic support for an unpopular Toledo.<sup>282</sup> A key challenge for the new administration of Alan García would be to handle this dispute in a way that did not undermine his broader project of improving positive relations with Chile.

### C. THE RETURN OF ALAN GARCÍA: 2006-PRESENT

In 2006, both Chile and Peru elected new presidents. In a similar fashion to her predecessor, Michelle Bachelet took the reins of the Chilean presidency and was given the mandate to pursue continued liberal economic and political goals. However, Peru’s elections were again riddled with controversy. Alan García returned for the second time as Peru’s president, but he faced a significant challenge from Ollanta Humala, a former military officer and failed-coup leader against Fujimori. Throughout the campaign and beyond, Humala fanned the nationalist passions of Peru. García himself was running against the ghosts of his own failed presidency in the 1980s; to win in the second round of the elections, he had to convince the Peruvians who had voted for the rightist presidential candidate that he could govern responsibly. And to govern effectively, García knew he would need to convince the international community of his newly responsible and progressive intentions. Thus, when García ultimately received the mandate, he wasted no time in seeking peace and friendship with the Bachelet administration in Chile.

Indeed, García met with Bachelet and Chilean officials prior to his inauguration, setting the tone for the establishment of good relations. Yet his government insisted that its renewed border dispute with Chile would remain open. Ultimately, Peru submitted its grievance to the International Court of Justice, where the issue awaits years of arbitration. Moreover, the acquisition of arms seems to have intensified of late. Both sides argue the purchases are necessary to modernize an aged fleet, but the commodities boom of the last

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<sup>281</sup> “Chile/Peru: Tensions Flare on Maritime Border Change,” 1.

<sup>282</sup> Ibid.

decade has given both sides significant funds in their military coffers. The mixture of advanced weapons and a renewed border dispute, despite executive pledges of cooperation and conciliation, could prove to be troublesome.

### **1. Restoration of Warm Relations**

In Chile's fourth presidential election since its return to democracy, President Michelle Bachelet assumed power in March 2006. She took the reins in a nation which many consider to be one of the most stable governments in Latin America. The moderate socialist Concertación, in power since the transition, has allowed the political system to establish a consensus. As Jane's assessment continues, "the far left is nowhere near as potent or extreme as in the past, while it is unlikely that even the most hard-line military figures would imagine that they could run the country along old authoritarian lines."<sup>283</sup>

In July 2006, Peruvian Alan García returned to the presidency for the second time following a heated campaign against former coup leader (against Fujimori) and retired military officer Ollanta Humala. Of García's competition, Humala stirred-up the most concern, as his foreign policy preferences were uncertain. Throughout his campaign, for example, he espoused closer ties with Venezuela's Hugo Chavez and Bolivia's Evo Morales. Moreover, he vowed to revise important bilateral contracts previous Peruvian governments had signed, as well as strengthen Peru's military. This, COHA analysts suggest, "made Santiago uncomfortable."<sup>284</sup> Despite García's eventual second round victory, however, Humala continues to stir debate and has shown few signs of retreat.

On the other side of the political spectrum lay Lourdes Flores. As the other main contender leading up to elections, she was recognized for her support of the free trade agreement with the United States. This, analysts argue, "made her the obvious choice to be Washington's favorite."<sup>285</sup>

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<sup>283</sup> "Jane's Sentinel Country Risk Assessment for Chile."

<sup>284</sup> "Peru's 2006 Presidential Election," Council on Hemispheric Affairs Webpage, April 7, 2006, [http://www.coha.org/NEW\\_PRESS\\_RELEASES/New\\_Press\\_Releases\\_2006/COHA%20Report/COHA\\_Report\\_06.05\\_Peru\\_Elections\\_Humala.html](http://www.coha.org/NEW_PRESS_RELEASES/New_Press_Releases_2006/COHA%20Report/COHA_Report_06.05_Peru_Elections_Humala.html) (accessed March 17, 2009).

<sup>285</sup> Ronald Bruce St. John, "Garcia's First 100 Days," Foreign Policy in Focus Webpage, November 28, 2006, <http://www.fpif.org/fpiftxt/3730> (accessed March 17, 2009).

García ultimately triumphed “as the most moderate of the three contenders.”<sup>286</sup> Indeed, he was a cautious supporter of a free trade agreement with the U.S.,<sup>287</sup> campaigned as a “moderate leftist,” and vowed to maintain macroeconomic stability initiated under Toledo’s administration.<sup>288</sup> Moreover, during the campaign he declared himself the champion of peace.<sup>289</sup> For instance, he campaigned against the threat of “a new fundamentalism” in South America, citing both Chavez and Morales as “threats to democracy.” Seeking a “third way” between the left and the right, García has sought to improve regional ties rather than to look toward Venezuela (as Humala proposed) or primarily toward the United States (as Flores proposed).<sup>290</sup> García’s visit to Santiago after his victory, but prior to his inauguration “heralded this change of mood.”<sup>291</sup> During his discussions with Bachelet, for example, García the diplomat “played down the importance of the two countries’ maritime border dispute.” Moreover, their meetings ultimately led to an important bilateral economic agreement with Chile, which the two governments signed later that year.<sup>292</sup>

In July 2006, Bachelet attended García’s presidential inauguration. Peruvian Defense Minister Wagner welcomed the visit, commenting that it sent a powerful message on behalf of both countries’ intent to “seize the moment” and forge “a very deep understanding.”<sup>293</sup> Peru’s Foreign Minister argued that relations between the two nations had indeed “normalized.”<sup>294</sup> And overall, their commitment to cooperation and

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<sup>286</sup> “Peru’s 2006 Presidential Elections: Still too Close to Call, but Humala Should at Least Make it through Round One and into the Winner’s Box,” Council on Hemispheric Affairs Webpage, April 7, 2006, [http://www.coha.org/NEW\\_PRESS\\_RELEASES/New\\_Press\\_Releases\\_2006/COHA%20Report/COHA\\_Report\\_06.05\\_Peru\\_Elections\\_Humala.html](http://www.coha.org/NEW_PRESS_RELEASES/New_Press_Releases_2006/COHA%20Report/COHA_Report_06.05_Peru_Elections_Humala.html) (accessed March 20, 2009).

<sup>287</sup> Ibid.

<sup>288</sup> St. John, “Garcia’s First 100 Days,” Foreign Policy in Focus Webpage.

<sup>289</sup> Peru’s 2006 Presidential Elections: Still too Close to Call, but Humala Should at Least Make it through Round One and into the Winner’s Box.”

<sup>290</sup> St. John, “Garcia’s First 100 Days,” Foreign Policy in Focus Webpage.

<sup>291</sup> “Garcia Seeks to Improve Bilateral Ties,” *OxResearch*, September 6, 2006, ProQuest (accessed November 14, 2008).

<sup>292</sup> Ibid.

<sup>293</sup> Paola Pinedo García, “Debemos Transitar de la Seguridad Defensiva a la Seguridad Cooperativa,” *El Mercurio*, August 13, 2006.

<sup>294</sup> “Canciller Peruano Firma que Relación con Chile Se Normalizó,” *El Mercurio*, September 8, 2007.

integration proved strong. At a Council of the Americas speech that same year, García promised a “very deep and solid relationship with Chile.” Moreover, he spoke of “brotherly and transparent links which will allow us to look forward without fear, mistrust or resentment.”<sup>295</sup> In September 2006, he appointed a long-time “political confidant” as Peru’s ambassador to Chile. This, analysts remarked, suggested he intended “to manage the relationship with Chile personally.”<sup>296</sup> And President Bachelet echoed similar sentiments. In a speech to Peruvian intellectuals, for example, Bachelet remarked “we need to look towards a future of peace and brotherhood, and you...have a lot to contribute in this effort.”<sup>297</sup>

Amidst the warm overtures and friendly tones espoused by the newly elected presidents, however, Peruvian Foreign Minister Belaúnde made clear that Peru “would not drop its objective of revising the maritime boundaries with Chile,” stating several times that maritime boundaries with Chile will remain an “open issue.”<sup>298</sup>

## **2. Maritime Dispute Continues**

In December 2006, the Chilean Congress signed a law creating a new administrative region near Chile’s border with Peru.<sup>299</sup> According to reports, the proposal allegedly cut off some 19,000 square meters of Peru’s Tacna Department. Not surprisingly, Peru’s government responded in January 2006, lodging an official protest with the Chilean government. Officials in Peru posited that Chile was attempting to

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<sup>295</sup> Simon Bidwell, “García Struggles to Build Bridges between Peru and Chile,” *Journal Peru*, April 15, 2007, <http://journalperu.com/?p=891> (accessed January 2, 2009).

<sup>296</sup> “García Seeks to Improve Bilateral Ties,” *OxResearch*, September 6, 2006, ProQuest (accessed November 14, 2008).

<sup>297</sup> “Chile: We are Very Hopeful that Chile-Peru Relations Can Take a Decisive Step Forward, Says President,” *U.S. Fed News Service*, July 27, 2006, <http://www.highbeam.com/DocPrint.aspx?DocId=1P3:1084863271> (accessed November 14, 2008).

<sup>298</sup> “Jane’s Sentinel Country Risk Assessment for Chile.”

<sup>299</sup> “Chilean Court Ruling Averts Looming Border Dispute with Peru,” *International Herald Tribune*, January 27, 2007, <http://www.iht.com/articles/ap/2007/01/27/america/LA-GEN-Chile-Peru-Border-Dispute.php> (accessed March 17, 2009).

redefine its maritime border to fit in a “geographical parallel,” rather than continuing the national borderline to the sea. President García even recalled his ambassador from Santiago to discuss the matter.<sup>300</sup>

An acute border dispute was soon averted, however, when Chile’s Constitutional Court deemed the measure unconstitutional. (A Constitutional Court ruling was required before the law could be enacted). According to reports, the judges argued the law was unconstitutional “because it defined its boundaries based on a [disputed] landmark between the two countries.”<sup>301</sup> The Chilean government vowed it would respect the Court’s decision, while Peru’s Foreign Minister praised the ruling as favorable, for it eliminated “a source of dispute” between the two nations.<sup>302</sup> Nevertheless, the issue of the maritime boundary had been raised again with the Chilean legislation, leading Foreign Minister Belaúnde in January of 2007 to hint at Peru’s willingness to submit the on-going dispute to the International Court of Justice for arbitration.<sup>303</sup>

When faced with the prospect that Peru would submit its claim to the International Court of Justice, however, Bachelet responded: “If Peru decides to go to the international justice courts, then that’s up to them. We have a lot more to gain if we cooperate and look at areas of common interest than if we remain stuck in past agendas.”<sup>304</sup> García responded by announcing: “Following President Bachelet’s friendly declaration, the doors have been opened for us to go to The Hague.”<sup>305</sup> In a later statement, García said any lawsuit submitted to The Hague would aim to solve the maritime issue peacefully, fairly and completely. He also hoped to avoid damage to

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<sup>300</sup> “Peru Protests against Chile’s New Definition of Territory,” *People’s Daily Online*, January 27, 2007, [http://english.people.com.cn/200701/27/eng20070127\\_345352.html](http://english.people.com.cn/200701/27/eng20070127_345352.html) (accessed March 17, 2009).

<sup>301</sup> “Chilean Court Ruling Averts Looming Border Dispute with Peru.”

<sup>302</sup> Ibid.

<sup>303</sup> “Peru-Chile Sea Dispute May Go to the Hague,” *Prensa Latina*, January 27, 2007, <http://www.plenglish.com/article.asp?ID={0717DC70-D950-4AC2-9D92-67B4B7D28892}&language=EN> (accessed March 17, 2009).

<sup>304</sup> Wolfy Becker, “Honeymoon over? Peru-Chile Border Dispute Headed for The Hague,” *Journal Peru*, April 9, 2007, <http://journalperu.com/?p=820&print=1> (accessed January 16, 2009).

<sup>305</sup> Ibid.

Peru's relations with Chile.<sup>306</sup> However, because arbitration would likely last several years, it remains to be seen how the presidential relationship between Bachelet and García would develop.

On January 16, 2008, Peru's government did, in fact, present a formal claim to the International Court of Justice concerning its maritime frontier with Chile.<sup>307</sup> According to an International Court of Justice press release, "Peru claims that 'the maritime zones between Chile and Peru have never been delimited by agreement or otherwise' and that accordingly, 'the delimitation is to be determined by the Court in accordance with customary international law.'"<sup>308</sup> Moreover, the government of Peru alleges that attempted negotiations with Chile since the 1980s have been ignored. Because of an unspecified September 2004 memo sent from Chile's Minister of Foreign Affairs to his Peruvian counterpart, Peru asserts that further attempts at negotiations are no longer feasible.<sup>309</sup>

The Chilean government has repeatedly rejected the need for international arbitration, arguing that "there is nothing to discuss." Conversely, however, Peru expects a favorable ruling.<sup>310</sup> In a March 2008 statement, Peruvian Foreign Minister Jose García Belaúnde announced he was satisfied with the first meeting by representatives of Peru and Chile at the International Court of Justice over the boundary dispute. At the same time, the Chilean government remains steadfastly confident. "We are extraordinarily calm on the issue," Foreign Minister Foxley declared. "The work plan is very clear and

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<sup>306</sup> "Roundup: Peru, Chile Locked in Maritime Territory Dispute," *Xinhua News Agency*, January 19, 2008, <http://www.highbeam.com/DocPrint.aspx?DocId=1P2:15144610> (accessed January 5, 2009).

<sup>307</sup> "Peru/Chile: Maritime Dispute Clouds Relations."

<sup>308</sup> "Peru Institutes Proceedings against Chile with Regard to a Dispute Concerning Maritime Delimitation between the Two States," International Court of Justice Press Release, The Hague, March 4, 2008, <http://www.icj-cij.org/docket/files/137/14387.pdf?PHPSESSID=8508e4cbb11da503bcd912ed0d859837> (accessed January 5, 2009).

<sup>309</sup> "Peru Institutes Proceedings against Chile with Regard to a Dispute Concerning Maritime Delimitation between the Two States."

<sup>310</sup> "Chile/Peru: Tensions Flare on Maritime Border Change."

Chile’s juridical thesis is as solid as always.”<sup>311</sup> The International Court of Justice argues the delimitation will be determined in accordance with customary international law, but said a judgment will likely take five or six years to decide.<sup>312</sup>

### **3. Containing the Friction**

While adding longevity to an already sensitive topic, García’s submittal of the maritime dispute to the ICJ is fundamentally a de-escalating measure, designed to insulate the issue from domestic political dynamic (which would undermine bilateral negotiations) and turn over to objective third party. And García has also worked hard to calm tensions from Peru’s military and a resilient Humala.

In April 2007, on the anniversary of the War of the Pacific, Humala organized a march to Peru’s border with Chile to celebrate what he called an “act of affirmation of Peru’s national sovereignty.”<sup>313</sup> As of March 2008, his Nationalist party controlled 21 seats in the Congress, and his appeal to poorer Peruvians in the southern and western highlands “makes him a potentially serious threat to García’s ability to govern effectively.”<sup>314</sup> Moreover, he continues to support the nationalization of key industries, remains hostile to foreign investment and free trade and has exhibited a weak commitment to democratic governance.<sup>315</sup> And as recently as March 2009, Humala was still inciting nationalistic passions. A trade pact agreement went into effect between Chile and Peru in on the first of March. In response, Humala organized and led Peru’s

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<sup>311</sup> “Peru Satisfied with First ICJ Meeting on Boundary Dispute: FM,” *Xinhua News Agency*, March 15, 2008, <http://english.cri.cn/2947/2008/03/15/1461@334165.htm> (accessed January 6, 2009).

<sup>312</sup> “Ecuador Backs Chile in Maritime Dispute with Peru,” *Xinhua News Agency*, March 11, 2008, <http://english.peopledaily.com.cn/90001/90777/90852/6370787.html> (accessed January 6, 2009).

<sup>313</sup> “Peru’s Humala Calls for March to Chilean Border,” *Journal Peru Webpage*, April 2, 2007, <http://journalperu.com/?p=782> (accessed January 7, 2009).

<sup>314</sup> “Peru: Country Report,” Political Risk Services’ Webpage, updated July 1, 2008, <https://www.prsgroup.com> (accessed December 5, 2008), 33.

<sup>315</sup> Ibid.

opposition parties in a campaign “to convince Peruvians a free trade deal with Chile is a bad thing.” Humala’s opposition movement plans to hold a series of meetings in the south of Peru, where García’s administration is “highly unpopular.”<sup>316</sup>

Arms acquisitions continue to inspire mistrust, even among some members of García’s cabinet. Chile’s F-16 purchases, for example, have been a renewed cause of concern in Peru since they began arriving in 2006. Peruvian Foreign Minister Belaúnde was quoted as saying “the purchase of this fleet affects the region’s strategic and military balance.”<sup>317</sup> All of Chile’s recently acquired F-16s are assigned to air bases in Iquique and Antofagasta—Chile’s northern most air bases and those closest to Peru.

Peruvian Minister of Defense Allan Wagner seemed to be more in line with García’s efforts to show restraint toward Chile, announcing in August 2006 that Peru intended to scale back on its military hardware acquisitions. “We’re not looking for balance (with the Chileans). How could we balance with a country that has so much weaponry purchased with money that has fallen from the skies because of high copper prices?” he asked, referring to the Chilean armed forces Copper Law. Wagner then added that “[Peru has] some shopping to do, but we are not talking about large weapons systems...”<sup>318</sup>

By September 2008, however, the pendulum had swung back, as Peru’s Vice President introduced a bill to congress which proposed to expand Peru’s National Defense Fund in order to strengthen and modernize Peru’s armed forces. Vice-president Luis Giampietri, who is also a retired Vice Admiral, said the initiative would be “very important to give the armed forces a prospect for sustainable modernization” as well as provide “sufficient capacity to create a deterrent.” He also argued that the bill would “reduce the imbalance that exists in the field of defense with other countries in the

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<sup>316</sup> Robert Kozak, “Peru’s Opposition Aims to Halt Chile Free Trade Pact,” *Dow Jones Newswires*, March 11, 2009, <http://news.ino.com/headlines/?newsid=20090311010606> (accessed March 17, 2009).

<sup>317</sup> Alex Sanchez, “Chile’s Aggressive Military Arm Purchases Are Ruffling the Region, Alarming in Particular Bolivia, Peru and Argentina,” *Council on Hemispheric Affairs*, August 7, 2007, <http://www.coha.org/2007/08/chile%20%99s-aggressive-military-arm-purchases-is-ruffling-the-region-alarming-in-particular-bolivia-peru-and-argentina> (accessed January 8, 2009).

<sup>318</sup> “Perú no Busca Equilibrar Fuerzas con Chile,” *El Mercurio*, August 10, 2006.

region.” The proposal has been met with mixed support within government circles, but was purportedly endorsed by Defense Minister Antero Flores Araoz.<sup>319</sup> And to heighten tensions, Peru’s most recent procurements are occurring under an increasing lack of transparency. The National Defense Fund, Jaskoski posits, “was spent with very little oversight.”<sup>320</sup> Angel Páez, concurs. Peru’s recent announcement in 2008 to purchase arms with a price tag of U.S. \$514 million, he argues, “has been initiated under the same provisions of state secrecy employed by the Fujimori administration.”<sup>321</sup>

In mid-2008, the Chilean government announced its intention to purchase an imaging satellite with both civilian and military applications. According to press reports, the satellite will be able to receive multi spectral images of its neighbors, allowing Chile the capability to monitor the surrounding territories and sea surface.<sup>322</sup> And as recently as October 2008, Chilean officials expressed their intentions to purchase another 16 refurbished F-16s from the Dutch Air Force, bringing their total to 44 advanced combat aircraft. The reported deal reportedly would cost more than \$170 million, with delivery of the aircraft expected to begin in 2009. Although early reports indicated the aircraft would be stationed in the south, near Chile’s border with Argentina, the continued arms purchases continue to create tension with Peru.

This continued potential for anger and suspicion is perhaps best demonstrated with recent events. In September 2008, the Chief of Staff of the Chilean Army, General Oscar Izurieta Ferrer, made an official visit to Peruvian army headquarters, where he met the commanding general, Major General Edwin Donayre Gotzch. The two generals attended a military ceremony, where they highlighted the need for military leaders to

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<sup>319</sup> “Proyecto de Impuesto a Favor de FF.AA., Similar al de Chile, Despierta Polémica en Perú,” *El Mercurio*, September 25, 2008.

<sup>320</sup> Jaskoski, “Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru,” forthcoming in *Militares y política en América Latina y el Caribe*, 18.

<sup>321</sup> Angel Páez, “Peru: Government Spends \$514 Million on Secret Arms Deal,” *Global Information Network*, August 5, 2008.

<sup>322</sup> “Tracking Satellite for Chilean Military and Civilian Use,” *MercoPress*, June 1, 2008, <http://www.mercopress.com/vernoticia.do?id=13576&formato=html> (accessed January 15, 2009).

foster cooperation and harmony between the two nations.<sup>323</sup> Yet only two months later, Peru's government canceled a trip by its defense minister to neighboring Chile after Peru's army chief "was shown making anti-Chilean statements online." According to reports, General Donayre was caught saying that "Chileans should not be allowed into [Peru], and that if they did enter they would have to leave in 'boxes' and 'plastic bags.'"<sup>324</sup> A Chilean spokesman prompted the cancelled visit commenting that it "might be inopportune given the circumstances." His remarks, too, fanned the flames of controversy. Peru's President García, for example, said his country "did not accept pressure or orders from anybody outside of Peru," while Foreign Minister Jose Antonio García Belaúnde said, "Frankly, when one is 'uninvited,' it's not very courteous."<sup>325</sup>

And the harsh words continued into 2009. In March, Peruvian General Donayre (now retired) was caught again, spouting off against Chile. The day before Peru was scheduled to launch its legal action at the International Court of Justice in The Hague, Donayre stirred up tensions by suggesting Chile was preparing "a military adventure" against Peru. Donayre referred to the comments of Chile's previous foreign minister, Alejandro Foxley, who had said Chile would use "every means at its disposal" to oppose the Peruvian maritime claim. Donayre was thus questioning why Foxley did not specifically rule out military action.<sup>326</sup> Chile's foreign minister, Mariano Fernández, dismissed his comments, saying "We haven't the time and it does not matter to us." Nevertheless, on the following day, the commander of Chile's navy said that his service was "well prepared" for any eventuality. Admiral Codina's comments to a Chilean radio station were pointed, the article noted. Moreover, Codina's comments, it argued, further "stoked up simmering bilateral tensions."<sup>327</sup>

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<sup>323</sup> "Visita a Perú," Chilean Army Website, September 9, 2008,  
[http://www.ejercito.cl/noticias/detalle\\_noticias.php?id=3626](http://www.ejercito.cl/noticias/detalle_noticias.php?id=3626) (accessed November 5, 2008).

<sup>324</sup> "Video Strains Peru-Chile Relations," *Reuters News Service*, November 30, 2008,  
<http://tvnz.co.nz/view/page/536641/2340888> (accessed January 15, 2009).

<sup>325</sup> Ibid.

<sup>326</sup> "Donayre: Debemos Prepararnos para una Guerra con Chile," March 18, 2009,  
[http://www.rpp.com.pe/2009-03-18-donayre--debemos-prepararnos-para-una-guerra-con-chile-noticia\\_170785.html](http://www.rpp.com.pe/2009-03-18-donayre--debemos-prepararnos-para-una-guerra-con-chile-noticia_170785.html) (accessed March 20, 2009).

<sup>327</sup> "Navy 'Ready' as Peru Goes to ICJ," Latin News Webpage, March 20, 2009,  
<http://www.latinnews.com> (accessed March 20, 2009).

In response to these tensions, government officials on both sides have attempted to play down the risks. Following Peru's submission of the maritime dispute to the International Court of Justice in January 2008, military leaders on both sides assured that military relations had not been affected,<sup>328</sup> and officials in both Peru and Chile have ruled out military conflict over the new law. Nevertheless, the risk of incidents between Peruvian fishing boats and the Chilean Navy remain. According to reports, for example, Peruvian fishing boats often "stray" in disputed territory, yet leave when directed by the Chilean Navy patrols. Because of this new law, however, analysts contend the fishermen may be less willing to leave. This, they argue, could pose a more serious challenge to the Chilean Navy, citing the potential risk of inflicting damage to a Peruvian boat or even an accidental sinking.<sup>329</sup> The concern exists, despite the continued participation of both navies in multinational exercises. For instance, the navies of Chile and Peru participated together with Ecuador, Colombia and the United States in UNITAS 2008.<sup>330</sup> Moreover, a second phase of the combined exercise "Concordia 2008" took place in July 2008 with a ceremony at the Chilean War College. A "third phase" of the training exercise is expected sometime in the future.<sup>331</sup>

#### **D. ANALYSIS OF INTERNATIONAL RELATIONS: 2000-PRESENT**

As the new millennium opened, democracy once again returned to Peru. At the same time, Chile was celebrating some ten years of solid democratic rule. Thus, for the first time in my analysis of the development of Chile-Peru relations, both nations were under democratic rule during the period of study. The overtures of peace and cooperation that followed, extended to Chile by both Toledo and García, would suggest Doyle's notion of democratic peace—that "when the citizens who bear the burdens of war elect their governments, wars become impossible."<sup>332</sup> However, arguably this was not the

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<sup>328</sup> "Relaciones Militares Peru-Chile no Se Han Afectado por Diferendo," *El Comercio*, April 6, 2008.

<sup>329</sup> Chile/Peru: Tensions Flare on Maritime Border Change."

<sup>330</sup> "FF 'Blanco Encalada' en Ejercicios UNITAS 2008," June 25, 2008, [www.armada.cl](http://www.armada.cl) (accessed November 5, 2008).

<sup>331</sup> "Concordia 2008," Chilean Army Website, August 11, 2004, [http://www.ejercito.cl/noticias/detalle\\_noticias.php?id=3582](http://www.ejercito.cl/noticias/detalle_noticias.php?id=3582) (accessed November 5, 2008).

<sup>332</sup> Doyle, "Liberalism and World Politics," 1151.

case. While the period 1980 to 2000 witnessed an era of peace and reconciliation, the 2000s have not. Initial inroads made between Toledo and Chile's Lagos, for instance, soon gave way to a newly posited maritime border claim. Though García attempted to resolve these renewed tensions initially, they have since intensified. Moreover, the tensions are increasingly exacerbated by an ever increasing acquisition of military arms by both Chile and Peru.

The shifting dynamic of Chilean-Peruvian relations since 2000 is largely explained by changes in Peru. Since the transition to democracy in 1990, the Chilean position has remained constant. The center-left coalition of parties, the Concertación, has ruled the country since the transition, pursuing liberal economic and political goals designed to strengthen civilian control of the military and Chile's image abroad, advance democratic ideals, and ensure past human rights violations were properly addressed. The strong institutional powers that the Chilean president enjoys, and the disciplined majority support the Concertación parties provide in Congress, have allowed the ruling coalition to control the agenda, resist populist temptations, and govern responsibly.

In contrast, Peruvian executives face a much more fluid political landscape, which affects both the agenda they pursue and their ability to pursue it. When Toledo came to power in 2001, his focus lay in protecting Peru's economy, while at the same time cleaning up the corruption that flourished under Fujimori. As a democrat, too, he was largely concerned with normalizing relations with his neighbors. Moreover, in the years following Fujimori's exit, civilian control over Peru's military was increasingly asserted.<sup>333</sup> Thus, Toledo was not restricted by the armed forces to act on his preferences. As a result, important bilateral initiatives, such as the (2+2) meetings soon emerged. However, when Toledo's popularity began to plummet over scandal and charges of corruption, the situation changed. In fact, Toledo's actions toward Chile were largely influenced and restrained by the nationalist sentiment espoused by both ruling and opposing politicians.

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<sup>333</sup> Jaskoski, "Evaluating Civilian Control across Policy Arenas in Latin America: Lessons from Peru," forthcoming in *Militares y Política en América Latina y el Caribe*, 9.

García’s administration, however, has been able to garner more domestic support. In pursuing his “middle road” tactics, García has also chosen to take the maritime border dispute to the International Court of Justice. It is important to note, however, that the ICJ is, indeed, a de-escalating move on behalf of García; García has done an excellent job in managing tensions thus far—from the public, Humala, military, even some within his own cabinet—because economic relations with Chile and a moderate image is so important to him. Moreover, if nationalism wins out, so does Humala. However, the situation is unstable.

And complicating matters is the continued acquisition of military hardware by both Chile and Peru. Indeed, it is easy to construe the continued purchases as a newly emerging arms race. However, at the same time, experts argue that both countries are simply refurbishing outdated military arsenals. Indeed, both have defense finance provisions linked to commodities.

## E. CONCLUSION

Thus, contemporary relations between Chile and Peru are at a critical juncture. Throughout the decade, Chilean policy has been straightforward. Both Lagos and Bachelet have operated in an unconstrained environment, free to implement liberal policies. The Peruvian executives, however, remain constrained. Toledo was forced by his administration to reinvent a conflict with Chile in order to take pressure off his failing regime. The momentum has continued under García, despite his greater popularity. Nevertheless, García remains constrained by his opposition—specifically the nationalist party headed by Humala, who continues to rely on nationalist grievances to achieve support. García, however, has attempted to bridge both ends of the spectrum, however, by submitting the maritime dispute to the ICJ. While he lacks the support to deal with the issue domestically, the ICJ will at least demonstrate Peru’s resolve to settle the issue.

Where problems may arise, however, is if the recent military hardware purchases by both sides gets intrinsically linked to the dispute. Evidence of this is already developing in the statements of Peru’s former army chief and even Chile’s current Navy chief.

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## V. CONCLUSION

It has been nearly a decade since democracy has made its return to Peru. Moreover, the robust Chilean governance, which returned in 1990 continues to function as an example for all of Latin America. Yet currently, there are significant signs of an increase in bilateral tensions confronting these two nations. Foremost on the agenda is Peru's maritime dispute with Chile, which is currently awaiting arbitration at the International Court of Justice. In fact, opening arguments are occurring at the time of this writing.

Concurrent with the maritime dispute is the rapid acquisition of military hardware. During the past decade, increased commodity prices have significantly contributed to defense fund related programs in both states. As a result, the armed forces in Chile and Peru have increasing funds with which to acquire advanced military equipment. This has included fighter aircraft, and navy vessels, as well as advanced armor for ground operations. With respect to Chile, the acquisition of military equipment even includes satellite imagery capability.

Indeed, Peru and Chile share a common history fraught with conflict. Two nineteenth century wars, fought largely over natural resources, resulted in significant territorial and resource gain for Chile, but at Peru's expense. Following the 1879-1883 War of the Pacific, a peace treaty settling the dispute was not enacted until 1929. Moreover, not all of the actions mandated under the Treaty of Lima were enacted until some 70 years later. Arguably, this was cause for dissent. Thus, for more than a century, the two states have had valid reason for lasting grievances.

Today, however, democratic traditions have taken root in both states. Since the wave of democracy swept through Latin America in the 1970s, for example, Cuba remains the only non-democratic regime in the region. Moreover, the post-Cold War era has led to increased integration for all nations, as well as an increase in security cooperation. Indeed, Peru and Chile are no exception. Throughout this period, numerous grievances in the region were laid to rest. Chile and Argentina, for example, have

resolved all but one minor territorial claim. Moreover, Peru and Ecuador settled their long-standing border dispute in 1998. In order to understand the trend in warming relations throughout the region over the past few decades, several liberal theories have been advanced. Both the Democratic and Economic Peace theories have argued that democratization and integration ultimately lead to increased security cooperation. However, as I have illustrated throughout this thesis, neither theory has sufficiently accounted for the dynamic relationship that continues to exist between Chile and Peru. Indeed, boundary disputes have reemerged in the past several years, and remain a potential trigger for the continued increase in military hardware carried out by both states since the 1990s.

Thus, the goal of this thesis was to illustrate the deficiencies in the traditional theories with respect to Chile and Peru. To effectively demonstrate this, I drew largely on the works of Arturo Sotomayor and Randall Parish. Specifically, I integrated the insights of the democratic peace and economic integration literature into a more comprehensive political economy framework for understanding the preferences of key actors with regard to security cooperation. Moreover, I looked at the actors' ability to act on their preferences. Throughout, I focused on three actors—the executive, the military, and to a lesser extent, the legislatures. I found, for example, that civil-military relations are important not only for shaping executive incentives to pursue security cooperation (as Sotomayor argues), but also as a factor affecting the executive's ability to act on his or her preferences. Likewise, the makeup and incentives inherent of the legislature (both ruling and in opposition) are also, at times, a key aspect of the president's ability to act. This was evidenced specifically with respect to Peru.

Throughout, I examined several aspects of international relations. For instance, I looked at the ability of the two states to solve border disputes. I also examined state efforts to limit the purchase of advanced arms. Moreover, I observed the use of mutual confidence building measures as tools to foster bilateral and regional cooperation efforts. The analysis focused on three distinct eras of bilateral relations. The first period, 1968 to 1980 enveloped the military regime in Peru. This included the initial left-leaning regime of Velasco, followed by the rightist Morales regime. Moreover, this era covered Chile's

transition from democracy (under Frei) to a period of democratic socialism under Allende. The period also included the initial consolidation of power in Chile by General Augusto Pinochet.

Indeed, during this era the traditional liberal theories of cooperation were irrelevant. Both economic integration and democratic governance were nearly nonexistent. I found, however, that during this era the bilateral relationship of Chile and Peru was driven by a realist notion of balance of power. In this arena where states must rely on themselves for protection, a “tit-for-tat” acquisition of arms occurred throughout the decade. Power politics was also evidenced with respect to issues of territory. Chile sought to retain the territory it conquered in the War of the Pacific, while at times, Peruvian leaders expressed their desire to reclaim what was once Peru. For most of the analysis, both regimes were military in nature. Thus, all aspects of governance were consolidated. The executive controlled the military. Other actors, if any, were insignificant or marginalized. Thus, the executive was unfettered in acting on his preferences.

Nevertheless, the elements of realist competition were tempered by two important factors. These included the balance of identity phenomenon, as well as the nontraditional use of confidence building measures. In borrowing from Barletta and Trinkunas, I posited that like-minded regimes evidenced increased efforts to cooperate. The military regime of Velasco was leftist in its approach to governance. Thus, when a socialist was elected to office in Chile, cautious hopes for an ideological alliance emerged. Though arms were being acquired under both regimes, it was not until Pinochet gained ascendency that the rhetoric increased. Tacit cooperation, too, was evidenced late in the era via bilateral participation in Operation Condor. Flare-ups did indeed occur, but were largely outside the ability of Morales to control. Both regimes also employed confidence building measures. Their use demonstrated the need for realist actors to defend their interests, while at the same time preventing an escalation leading to armed conflict.

The second period of analysis, 1980 to 2000, reflected a significant improvement in bilateral relations. It was during this time that first Peru, then Chile began the process of re-democratization. In contrast to the theories that predict an increase in conflict

during democratization, this era revealed that executives in new democracies had strong incentives to resolve disputes with their neighbors—both as part of a broader effort to reassert civilian control of the military establishment and to restore legitimacy to their newly emerging regimes. It is also important to note that this occurred across the lines of democracy, reaching into authoritarian regimes.

In the 1980s, for example, a newly democratized Peru led cooperation efforts with respect to an authoritarian Chile. Efforts began with modest efforts of Belaúnde to initiate a program of normalization. Cooperation efforts increased, however, during García’s first term in office, as he actively sought to subordinate Peru’s military. At the same time, I argue, Pinochet’s regime had incentive to welcome Peru’s advances. The Pinochet regime was increasingly isolated in the 1980s and sought to prove itself within the international community. Cooperation with an historic enemy was a means with which to establish legitimacy.

In the 1990s, the tables were turned. Democracy came to Chile at the same time its institutions were increasingly repressed in Peru. Nevertheless, Chile’s new democrats had incentive to seek cooperation in conjunction with efforts to legitimize their regime and subordinate a powerful military. Indeed, Chile’s military had retained significant prerogatives into the 1990s. Nevertheless, the executives were not constrained in their cooperation efforts with Peru. By the end of the decade, attrition had taken its toll and Chile’s military regime was somewhat weakened. However, at the same time, Fujimori in Peru had incentive to accept overtures of Peace. Fujimori too, sought to increase his administration’s legitimacy. Cooperation with his neighbors proved a means to accomplish this. Efforts to solve lingering disputes with Chile failed in the early part of the decade, however, because Fujimori did not possess enough domestic support. By the end of the decade, however, Peru had ended its grievance with Ecuador. Fujimori also possessed the needed capacity to resolve its border issues with Chile.

In the new millennium, the democratic tradition was restored in Peru. Moreover, democratic governance in Chile reached near consolidation. Indeed, this period represented the first instance in which both regimes were headed by democratically elected executives. At the same time, this era also represented a time during which many

of the lasting vestiges of military prerogatives were successfully eliminated. As such, the executives in Peru and Chile were not constrained by the armed forces to act on their preferences. However, despite the initial hope for increased peace and cooperation in the age of mutual democracy, such has not been the case. As the new decade progresses, indeed, tensions seem to have increased.

Throughout the 2000s and today, the Chilean position with respect to foreign policy has remained remarkably consistent. Following in the footsteps of her predecessors, Bachelet has been empowered to pursue liberal goals. Moreover, there is little doubt to assume that subsequent administrations will diverge from Chile's successful policies in the future. Thus, the driving force behind the contemporary dynamics of Chile-Peru relations throughout this decade is, and will likely continue be, primarily reflected in the preferences and strengths of Peru's actors—specifically that of the executive with respect to Peruvian politicians. During this era, I argue, Peruvian politician have capitalized on Peru's historic grievance with Chile in order to deflect attention away from domestic issues. This was first manifest late in Toledo's regime as his popularity at home sank to very low levels. Despite the initiation of significant confidence building measures such as the (2+2) meetings, the Peruvian administration overwhelmingly passed a law, which redefines Peru's sea border with Chile. This upset a de facto observance of the border, which had been respected for more than 50 years.

García, however, has wielded a more popular administration since assuming power. Nevertheless, the tension with regard to the border claim has intensified. Indeed, García sought to implement rapprochement with Chile early in his tenure, holding meetings in Santiago prior to his inauguration. Nevertheless, Peru's government has insisted its grievance with Chile will remain open. García, nevertheless, assumed the presidency as a moderate. His closest competitor, Humala, had exemplified Peru's nature to use nationalist rhetoric to gain political authority. Thus, García was constrained, I argue, by his opposition to keep the maritime issue at the forefront of his foreign policy. To retract the law enacted under Toledo, if passed, would surely incite the nationalist rhetoric of Humala. Indeed, García has sought use of the International Court of Justice as the best mechanism with which to de-escalate the situation and resolve the dispute. As

democratic regimes, both sides remain confident of the court's eventual ruling, but at the same time will mutually respect the court's decision. However, arbitration is not expected for a matter of years. Thus, it remains to be seen how the dynamics of this relationship will develop.

As I have cautioned, however, the continued acquisition of military hardware by both Chile and Peru will, for the immediate future, ensure the situation remains complicated. As coarse statements increasingly fly from both sides of the border, stirring nationalist emotions to a fury, a potential threat lies in linking the increased acquisition of arms to the maritime situation. Peruvian politicians have already stepped up their rhetoric. This includes comments made by Peru's former army chief General Donayre, who is also a candidate in Peru's forthcoming presidential elections. If such rhetoric is allowed to expand in the political arena, the future of Chile-Peru relations could be worrisome at best.

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